Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr. 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	[illegible]	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	L£ 6.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr. 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr. 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Mitterrand's nuclear dilemma, Page 14

World news

EEC to seek car exhaust accord

EEC environment ministers meet tomorrow in an attempt to reach agreement on the formulation of new strict standards on car exhaust emission.

Italy, holding presidency of the Community, hopes that the meeting will produce a limited agreement or perhaps a declaration of principle on the divisive issue.

West Germany wants to encourage the purchase of cars with catalytic converters through a system of tax incentives starting in July, while Italy, Britain and France favour a longer-term approach. **Page 2**

Iran shells city

Iran shelled the southern Iraqi port city of Basra for 45 minutes after warning it would retaliate for alleged attacks on civilian targets in Iran. An unspecified number of casualties were reported.

Korea eases clamp

The political ban on Korean dissident Kim Dae Jung, who returned last month from U.S. exile, and 13 other government critics will be lifted. **Page 3**

China cuts army

China's army will retire 47,000 ageing army officers in the next two years as part of an overall plan to modernise and reduce staff. **Page 3**

Sikhs summon

Sikh high priests summoned India's Agriculture Minister Buta Singh to the Golden Temple in Amritsar to face punishment for what they called an offense against their religion.

Indian elections

Twenty two people were killed in outbreaks of violence during the second and final day of Indian state elections, in which Prime Minister Rajiv Gandhi's party holds a clear lead. **Page 3**

Mengele hunt

Chancellor Helmut Kohl will ask Paraguay President Alfredo Stroessner when he visits West Germany in July to help hunt down Nazi war criminal Josef Mengele who is believed to be living in the South American country. **Page 2**

Yugoslav extradited

A Los Angeles magistrate ordered the extradition to Yugoslavia of 85-year-old Andrija Artukovic, accused by Belgrade of complicity in the wartime execution of 770,000 people.

Minister resigns

Philippines Labour Minister Blas Ople resigned from the cabinet of President Ferdinand Marcos, a day after Foreign Minister Arturo Tolentino was sacked.

Catholic finances

A group of Roman Catholic cardinals began talks aimed at finding a solution to the church's financial problems. **Page 2**

Italian fugitive held

Francesco Pazienza, wanted in Italy on fraud and misappropriation charges relating to the collapse of Banco Ambrosiano, was arrested in New York.

Tanker in flames

An Argentine tanker carrying 1,200 tonnes of petroleum by-product burst into flames in the River Plate estuary near La Plata killing five crew members.

Soviet crime sweep

Soviet Interior Minister Vitaly Fedorchuk urged tough action against crime and corruption at a meeting of senior members of the country's law and order authorities.

Business summary

Pentagon probe of General Dynamics

U.S. DEFENCE Department has temporarily suspended its payments to General Dynamics, the country's biggest defence contractor while it investigates possible irregularities in billing the government.

Payments to the company have been halted for 30 days while an investigation is undertaken which will include possible criminal activity. **Page 5**

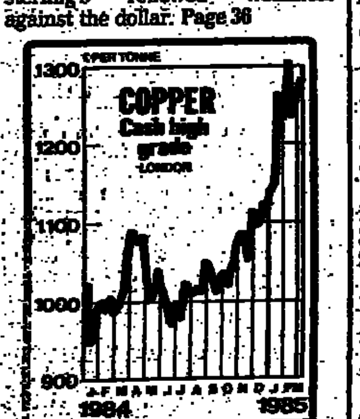
NATIONAL WESTMINSTER, Britain's second largest bank, reported 30 per cent rise in pre-tax profit to £671m ($724.6m) in 1984. **Page 17; Lex, Page 16; Details, Page 22**

WALL STREET: At the close, the Dow Jones industrial average was up 2.32 to 1,291.85. **Section III**

LONDON shares finished firm with the FT Ordinary index up 2.1 at 982.0. Gilts recovered. **Section III**

TOKYO stocks closed lower. The Nikkei Dow market average shed 32.63 at 12,476.38. **Section III**

COPPER values rose on the London Metal Exchange, although reports from Chile suggested that disruption of supplies following the weekend earthquake might not be as serious as originally feared. Cash high grade copper gained £8.5 to £1,283 a tonne, chiefly reflecting sterling's renewed weakness against the dollar. **Page 36**



DOLLAR was firm in London, rising to DM 3.4335 (DM 3.376); SwFr 2.924 (SwFr 2.893), FFr 10.465 (FFr 10.315) and Y261.0 (Y259.95). On Bank of England figures, its index rose to 155.8 from 154.4. In New York, it closed at DM 3.43925; FFr 10.5015, SwFr 2.925 and Y261.2. **Page 37**

STERLING was weaker against the dollar in London, falling 1.3 cents to close at $1.0555. It improved, however, to DM 3.6225 (DM 3.6), SwFr 3.0875 (SwFr 3.085) and FFr 11.0375 (FFr 11.025) but eased to Y275.25 (Y277.0). The pound's exchange index fell to 70.8 from 70.9. It closed in New York at $1.0535. **Page 37**

GOLD fell $0.50 an ounce on the London bullion market to close at $288.00. It also fell in Zurich to $288.25. In New York, the April Comex Settlement was $287.90. **Page 36**

HARRISON AND CROSFIELD, British plantations and chemicals group, raised its bid for animal feeds maker Paul's to a "final" £113m ($119m) and bought another 18 per cent of Paul's shares in the London stock market.

SASOL, the South African oil-from-coal producer, sharply increased its first-half operating income to R513.4m ($247.3m) from R282.6m for the same period in 1983. **Page 19**

ELECTROLUX, the Swedish domestic appliance group, is to buy Beijer Byggmaterial, a local building materials company with sales of about SKr 1.5bn.

NORTHEASTERN International Airways, a small U.S. airline, has been ordered to return its four Boeing 727s because it cannot repay $1.3m in debt to an aircraft leasing firm.

CITIBANK, Brazil's leading creditor, has started legal proceedings against 11 Rio sugar and alcohol mills to recover overdue loans. **Page 17**

WORLD BANK is considering the launch of a short-term borrowing programme in sterling instead of dollars. **Page 38**

U.S. and UK companies study role in South Africa

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

MAJOR companies from Britain, the U.S. and South Africa are to hold an unprecedented two-day conference in the UK tomorrow to discuss the part they can play in the reform of apartheid.

The conference, at Leeds Castle, Kent, will be chaired by Mr Edward Heath, the former British Prime Minister, and the opening address will be given by the Rev Leon Sullivan, who helped to frame a code of conduct for U.S. companies operating in South Africa.

The voluntary code seeks to extend the rights of black workers, and is considerably tougher than that drawn up by the EEC. Discussion at the closed conference may include ways in which both codes could be further strengthened and be more closely monitored.

The meeting takes place at a time of almost continuous political unrest in South Africa, a key factor in the growth of an increasingly powerful lobby in the U.S. agitating for corporate disinvestment, which is backed by Senator Edward Kennedy, who visited the republic recently.

The strength of the lobby last week prompted the South African Government to set up a special department in the Ministry of Foreign Affairs to co-ordinate a counter-campaign.

Companies invited to Leeds Castle include Mobil, Caltex, General Motors, Control Data and Merck from the U.S. and Shell, BP, GEC, Barclays and Rio Tinto Zinc from Britain. Sir Peter Baxendell, chairman of Shell, and Sir Alistair Frame, chief executive of Rio Tinto Zinc, are among the senior executives expected to attend.

The South African participants include representatives of some of the Republic's leading companies, who have led calls for far-reaching reforms to South African society, including an end to racial job reservation and the enforced removal of blacks from "white" areas.

Mr Mike Rosholt of Barlow Rand, Mr Tony Bloom of the Premier Group, and Mr Basil Hersov of Anglo Vaal are expected to assess the implications of recent events in South Africa. A keynote talk by Mr Rosholt, chief executive of one of the country's largest publicly quoted companies, will be on "the role of business in working towards justice through the political process."

The agenda also includes an address by Mr Jan Steyn, chairman of South Africa's Urban Foundation, a business-funded organisation seeking to improve urban black living conditions.

Other contributions will come from U.S. participants. At least one observer from a leading Swedish company will be present.

Neither Mr Heath nor Mr Sullivan were prepared to comment last night. In a visit to Johannesburg in 1981, Mr Heath infuriated conservative whites when he warned that "the longer the bondage of blacks lasted, the more likely they were to turn to an armed struggle which the Soviet Union is only waiting to sponsor." Meaningful change, he told his audience, required acceptance of the principle of one man, one vote.

● South African President P. W. Botha announced cuts in civil service pay and conditions aimed to reduce government spending by R500m ($1036m) during the current fiscal year.

Dollar surges close to record levels

BY PHILIP STEPHENS IN LONDON AND STEWART FLEMING IN WASHINGTON

THE DOLLAR surged on foreign exchanges yesterday, pushing European currencies close to the record lows which sparked last week's heavy intervention by central banks.

It rose by 5.75 pfennigs against the D-Mark to close in London at DM 3.4335, while sterling lost 1.3 cents to end the day at $1.0555.

The dollar was only fractionally below these levels when European central banks, led by West Germany's Bundesbank, launched a concerted attack on the U.S. currency last Wednesday.

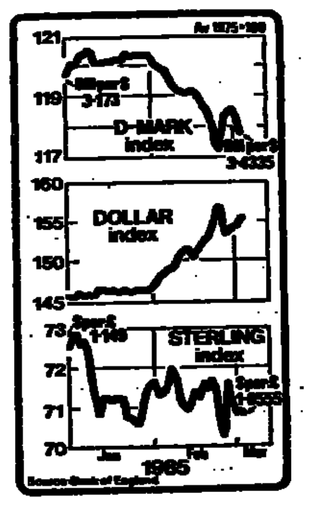
Last night it made further gains in New York, where it closed at DM 3.43925, with sterling weaker still at $1.0535.

European central banks, backed by the Bank of Japan and to a much lesser extent by the U.S. Federal Reserve, sold at least $3.5bn over three days.

Foreign exchange dealers reported, however, that although their action had made the markets wary of pushing the dollar up too fast, it had done nothing to diminish the underlying demand for the U.S. currency.

The relatively insignificant role in the intervention played by the U.S. Federal Reserve had also diminished fears that the central banks could engineer a decisive turnround in the dollar's value.

Evidence that the Reagan Administration is once again toughening its stance against co-ordinated intervention surfaced yesterday when a senior U.S. official told a congressional committee that in the Treasury's view intervention has been both ineffective and destabilising in recent weeks.



The comments by Mr David Mulford, Assistant Treasury Secretary for International Affairs, were in line with recent remarks made by President Ronald Reagan suggesting that the U.S. should not run the risk of destabilising the dollar

European central bank officials were also tacitly acknowledging yesterday that there was little they could do so long as the dollar's latest rise was backed by strong fundamental demand.

The banks, however, were insisting that last week's dollar sales had not been wasted because they were not aimed at establishing any particular rate for the U.S. currency but at demonstrating to speculators that they could not always rely on profits from dollar investments.

Currencies, Page 37

Brazil in $750m Soviet trade deal

By Andrew Whitley in Rio de Janeiro

BRAZIL and the Soviet Union have concluded a countertrade deal worth $750m over four years. In return for foodstuffs and manufactured goods, including steel products and oil platforms, Petrobras, the Brazilian state oil company, is to increase substantially its liftings of Soviet crude oil.

The deal, which represents the largest single trade deal between the two countries, forms part of Brazil's continuing drive to boost sales to its oil suppliers through countertrade deals.

Negotiations have taken place over the past year and were broadly finalised last November, according to one of the Brazilian companies involved. News of the deal has been kept confidential, pending conclusion of the oil purchase arrangements.

Brazil recently signed a annually renewable agreement with Nigeria, which could be worth up to $1bn, covering the provision of a wide range of goods in return for crude oil.

Similar agreements have been concluded with Angola and Iraq, and are being discussed with other oil suppliers, including China.

The most interesting element in the Soviet deal is the major role being played by a relatively small family-owned mining and civil engineering company, based in Sao Paulo state.

Continued on Page 16

Finnish countertrade deal, Page 4; Renault quits Soviet plant project, Page 16

Warsaw links debt payments to new credit

BY CHRISTOPHER BOBINSKI IN WARSAW AND DAVID BUCHAN IN LONDON

POLAND has asked all its main Western trading partners – with the notable exception of the U.S. – for a total of $1.7bn in new trade credit this year, with the threat that unless this credit is forthcoming, Warsaw will not abide by its January rescheduling agreement on repaying $9bn–$10bn official debt due from 1982–84.

The Jaruzelski Government has for months openly linked official debt rescheduling to new credit, on the argument that without a fresh cash injection its beleaguered economy cannot meet even an extended debt repayment schedule. But presentation last week of detailed credit demands to individual Western governments has sharpened the dilemma of Poland's official creditors.

Western governments, generally, say they do not want to pour "good money after bad" into Poland. On the other hand, they will want to preserve the agreement, reached in January after months of drawn-out negotiations, whereby Poland is to repay $9bn–$10bn in debt principal arrears from 1982–84 over the 1990–95 period and some £2bn interest arrears by 1989.

Western governments have repeatedly denied any link between rescheduling old debts and provision of new loans. But the Poles retained effective leverage over the West, by only initialling the January accord and leaving its formal signature until Warsaw sees "progress" on the issue of new credit.

Western officials, meeting this week in Paris, may give the Poles an informal, initial reaction to Warsaw's new credit demands. But formally, the Paris creditors club's discussions on Poland yesterday and today concern the fate of Poland's 1985 official debt maturities of $1.5bn-$1.6bn. This cannot be settled before the 1982-84 debt.

Meanwhile, Poland has implicitly acknowledged that its chances of an improvement in economic relations with the U.S. have been dealt a blow by the expulsion last week of the U.S. military attache from Warsaw. Colonel Frederick Myer was accused of taking photographs in a restricted military zone.

Last week Poland invited all Western governments to bilateral talks to specify details of the 1982-84 rescheduling agreement. But in contrast to diplomatic notes given to other Western governments, the message to the U.S. made no specific mention of new credit and merely expressed the hope that U.S.-Polish economic relations could soon be normalised.

However, West European governments received specific suggestions of how much new credit they might like to give Poland, evidently according to their share of trade rather than debt exposure in the country.

The largest single request – $450m this year and $500m next year – was made to West Germany, while the UK has been asked to contribute $240m this year and $250m in 1986. Poland is still the UK's second biggest market in Comecon.

Even with the effective lifting of Western sanctions, Western governments are most reluctant to lend Warsaw fresh money. Western officials do not believe that Poland, which has been running hard currency trade surpluses recently, needs as much as $1.7bn.

Ragged return by Britain's striking miners

By John Lloyd, Industrial Editor in London

BRITISH MINERS, returning to work yesterday after a year-long strike, found a tougher management, their old jobs reallocated in many cases to working miners and at some pits the familiar picket lines.

The National Union of Mineworkers had planned an orderly return to work, but this was ragged in Scotland and north-east England, largely a failure in Yorkshire and non-existent in the little Kent field in south-east England.

The picket lines were manned by Kent and Scottish miners demanding an amnesty for all of the 718 miners sacked during the strike. Those two regions have refused to return to work until this is achieved. The National Coal Board and the Conservative Government have insisted that some miners, convicted of serious offences, will never be rehired and that other cases will be decided on an individual basis.

Half of Yorkshire's 49,500 miners were reported not to have turned up yesterday. Where they returned in formation, sometimes behind bands, they were often turned back because they had missed the morning shift where they were not stopped by pickets.

Mr Arthur Scargill, the union's president, led 1,000 men back to one Yorkshire pit – and then led them back again after meeting a picket line.

The Scottish union today will reassess its decision to remain on strike. A further 700 "new faces" returned to Scottish pits yesterday, bringing the proportion at work to 56 per cent of the region's 12,400 miners.

In other areas, returning miners complained that their shift times had been changed and were sent home. At another pit, former strikers and working miners confronted each other in the works canteen.

Evidence from men returning to work suggests that managers are losing little time in bringing them under pit discipline, and in moving them from previous jobs to other tasks where the previous jobs have been taken by returning miners.

The coal board is carefully watching the position in the three-pit Kent coalfield, where most of the 2,000 miners remain on strike.

Mr Peter Walker, the Energy Secretary, meanwhile echoed a line floated two months ago by Mr Ian MacGregor, the coal board chairman, when he said that he favoured workers' co-operatives, or management ventures in pits.

Coal board plans reshape, Page 6

Vickers da Costa chief to head UK investment regulatory board

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

SIR Kenneth Berrill, chairman of British stockbrokers Vickers da Costa, is to be the City of London's new top regulator responsible for policing securities firms and investment companies.

Mr Norman Tebbit, the secretary of state for Trade and Industry, has asked Sir Kenneth to set up a Securities and Investments Board and invited him to be the board's first chairman.

Sir Kenneth, 64, was made a firm offer by the Government two or three weeks ago and will have a three-year contract. Sir Kenneth said yesterday that he "did not know" what salary would be offered.

"I am told by the Governor of the Bank of England, whose job it will be to determine the salary, that it will be market related." He has said he will take advice from senior people in the City as to what that might mean.

"I am coming to do the job for a) a body which does not exist; b) for a body which has no money and c) for a salary which I don't know."

One of the highest paid officials in the City is Mr Ian Hay Davison, chief executive of the Lloyd's insurance market, who earns £120,000 ($129,600) a year and that sort of salary is likely to be taken into account.

Mr Martin Jacomb, vice chairman of Kleinwort Benson, the merchant bank, has been appointed a part-time deputy chairman of the new body. Mr Jacomb is understood to have turned down the job of chairman. He will remain a vice chairman of Kleinwort Benson, but will relinquish his job as deputy chairman of both the Panel on Takeovers and Mergers and the Council for the Securities Industry.

Sir Kenneth headed the Central Review Policy Staff, a Government "think tank," between 1974 and 1980. He has also been head of the Government Economic Service and chief economic adviser to the Treasury.

As chairman of Vickers da Costa Sir Kenneth has steered his firm into a link with Citicorp of the U.S., the world's largest banking group. He is also one of the three ruling independent members of Lloyd's ruling council, an appointment endorsed by the Bank of England.

In the City yesterday some stockbrokers expressed surprise at the appointment. He was described as being "intellectually brilliant" but some doubt was expressed as to whether he had sufficient experience of the workings of the City.

One former Lloyd's council member said: "He doesn't speak often but when he does he speaks intelligently. He is a reasonable man who does not have much in common with the one or two hawks on the council."

Sir Kenneth expects that there will be 10 or 12 part-time board members on the new regulatory body, including investment practitioners, City people and others.

"It is going to have to be something which will start small and then grow in order to cope with the unknown volume of business when it is in full operation."

Men and Matters, Page 14; Lex, Page 16

CONTENTS

Why Finnish fur is flying high

By Kevin Done, Nordic Correspondent, recently in Vaasa

FINNISH FUR farmers labouring through the long, cold winter on the frozen plains of Ostrobothnia in western Finland are watching with undisguised relief as fur prices at the Helsinki auctions finally clamber back to levels where they can again make a respectable living.

The Finns are the leading supplier of famed furs to the world market, providing no less than 67 per cent of all fox furs and around 16 per cent of mink pelts.

Over the last decade Finnish producers have stolen a march on the rest of the fur world developing an unrivalled grip in particular on the production of fox furs and easily outstripping their rivals in Scandinavia, Poland and the Soviet Union.

Since 1975 world production of blue fox furs has climbed from 965,00 skins to around 2.7m. In the same period Finland has raised its own production from 400,000 to 1.8m. With the addition of 4.4m mink pelts Finnish fur farmers have built an industry with export earnings of some FMks 1.4bn last year and perhaps FMks 2bn in 1984-85.

Just over a year ago it apeared that the bubble had finally burst. At the Decmeber 1983 auctions fox fur prices plummetted to a record low and Finish farmers—many burdened by ambitious new investments—were forced to cut output to try to boost prices. "Everyone was afraid there could be a catastrophe for fox furs," says Mr Roger Nybäck, managing director of Oy Keppo Ab, which runs the world's biggest fur farming operation from Oravais in western Finand. "We cut production by about 20 per cent in 1983 to try to get world prices up."

Helped by the strength of the U.S. dollar and the recovery of the world economy the strategy is working. The Finnish fur industry has won sufficient confidence and size over the last decade to enable it to shift its international auctions to Helsinki and away from Copenhagen.

More than 500 buyers from around the world turned up for the independent Helsinki auction in January. With purchases worth more than FMks 600m they created the world's biggest fur auction to date, overshadowing Copenhagen and pushing prices steeply upwards.

"In the 1982-83 season there was a crisis in the fur producing industry," said Mr Johan Wallin, marketing manager of Finnish Fur Sales, a company owned co-operatively by the country's more than 5,600 fur farmers. "Prices were below production costs. With those prices the industry would not have survived.

"Production has not been increased, however, the market has improved, and there has been a quick recovery. They are not super profits, but the farmers can make normal returns again."

The anti-fur lobby has made no impact on sales, at least from the Helsinki auctions, says Juhani Moisander, managing director of Finnish Fur Sales. Opposition to the fur business is much harder to find in Scandinavia than in the UK or some continental European countries. The Fur Auction Centre has seen none of the demonstrations witnessed in London, but he admits that continued large-scale actions could eventually hit the international fur trade.

"It is so easy to manipulate people in the cities," says Mr Moisander, "They have never seen a cow or a horse. People here live more closely to nature, they understand that we have a very cold climate, they are used to handling animals, they know how they are looked after and how they are killed."

For the moment, according to Mr Wallin, "demand is coming very much from the U.S. More money is being spent on furs and the business climate is in our favour again. Attitudes have changed. People are buying furs again; it is acceptable to wear a fur jacket; people don't all have to look the same any more."

With fur back in fashion and more money available, blue fox furs were fetching FM 383 per skin in Helsinki last month compared with FM 234 in December 1983.

Buyers from Italy, Greece and Spain have all been more active, but it is the Far East that has emerged as a mainstay of Finnish fur sales alongside the U.S. Japan took 16 per cent of fox sales in 1983-84 and South Korea 12 per cent, while Hong Kong accounted for 13 per cent of Finnish mink sales.

For the foxes and mink moving agitatedly around their cages—for much of the winter in fiercely sub-zero temperatures—on the farms of western Finland, life is short. The breeding animals are paired in March, the cubs are born in May and little more than six months after they are slaughtered and the pelts prepared for the December and January auctions. The skinned animals are recycled with other offal for next year's feed.

The fur farming industry is concentrated to an extraordinary extent in the single western province of Vasa along the coast of the Gulf of Bothnia. Some of the farming is done on an industrial scale by companies such as Keppo, which alone produces around 350,000 mink and 90,000 fox skins a year, but most of the farms are small family affairs. The average farm produces around 1,600 pelts a year, about a third of which are fox furs.

Farmers' willingness to pool their resources has contributed to the industry's recent growth. Through regional co-operatives they have formed a jointly-owned breeders association which provides schooling, veterinary, insurance and financial advice and carries out joint research into improved breeding techniques and feed analysis.

The farmers own Finnish Fur Sales, which arranges the auctions, advance financing and common marketing. They own Ostrobotnia Päls, which acts as a purchasing company for feed and equipment and they operate around 50 big central feed kitchens.

Scores of small engineering groups have sprung up to supply specialised plant and equipment, and the industry is confident that with such a concentration of know-how and several decades of experience they can stay ahead of the growing competition emerging in countries such as the Netherlands, Poland, France and potentially China. Especially high prices are being won for new shades of fur based on fox breeding mutations.

Finnish fur producers have one important Achilles heel, however. Production of animals has now surpassed domestic supplies of feed—the industry's raw material. A subsidiary of Ostrobotnia Päls has been established in Fraserburgh in north-east Scotland for the freezing and storage of fish offal to secure new supplies; large amounts of fish offal are imported from northern Norway, slaughter offal comes from Sweden and Denmark and fish offal from the Soviet Union.

"Mink output has reached a ceiling in Finland," says Roger Nybäck. "We are not very competitive especially with Denmark, their fish and slaughter offal is 10-20 per cent cheaper."

Small farmers must live with the higher feed prices, but industrial farmers such as Keppo have already abandoned any idea of expanding in Finland. In the early 1960s Keppo started farming mink in Ireland to gain access to new feed supplies, and since 1980 it has been farming Norwegian blue foxes south of Dublin. "Denmark, Canada or France will be where the next expansion of fur farming takes place," says Nybäck. "Ireland is today a more profitable operation than Finland."

Opec's output exceeds ceiling

By Dominic Lawson in London

THE ORGANISATION of Petroleum Exporting Countries (Opec) produced 16.3m barrels of oil a day last month, breaching its official monthly production ceiling of 16m b/d, according to the International Energy Agency monthly oil market report, published yesterday.

However, the IEA report notes that Opec production was only 15.4m b/d in January, and that if March production is similar to February's the average production in the first quarter would be in line with the 16m b/d official ceiling.

On the demand side, the IEA report makes gloomy reading for oil producers. The IEA has reduced its oil consumption estimates. Oil consumption by countries in the Organisation of Economic Co-operation and Development (OECD) in the current quarter will be 1 per cent lower than in the same period in 1984, the report estimates.

This drop in consumption is predicted even against the background of a relatively cold winter in Europe and additional fuel oil demand resulting from the UK miners' strike.

The report said that if it were not for the additional oil consumption due to the miners' strike, then first-quarter consumption of oil by OECD countries would have been about 2.5 per cent down on the comparable period. The IEA believes that the strike will have increased consumption of fuel oil by about 0.5m b/d in the first quarter.

Reports from member OECD countries suggests that their oil stocks will fall from 426m tonnes at the beginning of the year to 404m tonnes at the end of the first quarter. Based on forecasts of consumption this would be equal to 95 days of forward consumption. Stocks held by companies would be equivalent to 73 days, only three days more than the record low levels held in the OECD at the outset of a second quarter.

Reshuffle in Hungary's trade union

By Leslie Colitt in Berlin

A RESHUFFLE of the leadership of the official Hungarian trade union has taken place less than three weeks before the Hungarian Communist Party is expected to announce further high-level changes at its 13th congress.

Mr Lajos Mehes, the trade union's secretary-general since December 1983, was relieved of his post because of "illness" and replaced by Mr Tibor Baranyai, a member of the central committee. Mr Mehes, 57, could also lose his post as a member of the party's ruling Politburo.

Simultaneously it was announced that the post of union chairman was to be upgraded and that the secretary-general would be largely left with a bureaucratic function but little authority. The chairman of the Hungarian Trade Union Council is Mr Sandor Gaspar who was given this post when Mr Mehes took over Mr Gaspar's previous position. At that time it was widely believed that Mr Gaspar, 66, who is also a Politburo member, had been moved upstairs into a ceremonial post.

It is not clear, however, whether Mr Gaspar has now regained control of the union because his name was not mentioned in the announcement. He was long regarded as being less than enthusiastic about the economic reform programme which in recent years has led to a fall in recent wages. The reforms have been expanded this year to include greater wage differentiation and are to be endorsed at the party congress.

Private airlines want navigational charges switched into Ecus

BY PAUL CHEESERIGHT IN BRUSSELS

THE CONTINUING strength of the U.S. dollar has prompted private air companies in Europe to demand that navigation charges be billed in the European currency unit, the EEC unit based on the weighted strength of the Ten's national currencies.

Air navigation charges have traditionally been billed in dollars through Eurocontrol, a multilateral collection agency run by governments.

Independent Air Carriers of the European Community which brings together private sector airlines and charter companies is to lobby Eurocontrol's consultative group on route charges. This group is made up of senior civil servants who meet privately but offer airlines observer status.

Members of the association contribute about 14 per cent of Eurocontrol's $650m annual turnover from route charges. Eleven nations are part of the Eurocontrol charges agreement: France, West Germany, Ireland, Britain and the Benelux countries from inside the EEC, and Austria, Portugal, Spain and Switzerland from outside it.

The timing of their move reflects deepening concern about losses through currency fluctuations. These have been running at more than $1m a month recently. It also signals the growing acceptance of the Ecu as an instrument not only for bond investment but also for settling commercial transactions.

The problem for the companies is the delay in the receipt of a bill and its settlement. As the dollar has kept on rising, it has taken the cost of route charges with it.

Although Eurocontrol is sympathetic to the use of the Ecu, its bills are sent all over the world. The use of a currency unit, still seeking to establish itself outside Europe, North America and Japan, could be used as a pretext for the non-payment of bills, it is felt. At the same time, there is caution about the attitude of East European carriers

Little chance seen of early accord on car pollution

BY OUR BRUSSELS STAFF

QUICK RESOLUTION of the EEC's problems on settling strict new standards for car exhausts, to head off a potentially divisive move by West Germany, has evidently been ruled out by Italy, which holds the presidency of the Community.

Sig Alfredo Biondi, the Italian Environment Minister, said yesterday he hoped tomorrow's meeting of environment ministers would produce a limited agreement, perhaps a declaration of principle, with conclusions at a later meeting.

His remarks, made at a meeting held by the EEC's Economic and Social Committee, came against the background of:

- The known opposition of France and Britain to a limited agreement.
- The passage through the Bundestag of legislation to offer tax incentives from July 1 for the purchase of new cars meeting exhaust standards equivalent to those of the U.S. and Japan.

As West Germany has shown no willingness to back away from a rapid move to much tougher standards than either France of Britain at this stage are prepared to contemplate, Sig Bioldi's two-stage approach seems unlikely to bear fruit before the crucial date of July 1.

West German policy would mean the fitting to cars for sale in its domestic market of three-way catalytic converters to cut exhaust emissions. This would split the EEC into two technical zones. The tax incentives would mean two financial zones.

Sig Biondi doubted whether environment ministers would spend much time discussing West German financial policy, the existence of which makes the problem of a technical settlement acutely urgent. He indicated that a decision on the timetable for the introduction of new emission standards for cars with an engine capacity of 2000 cc or more was possible. This could be a building block for other decisions. But diplomats made clear that for France and Britain there had to be a total package covering all engine sizes.

The European Commission will seek today to settle compromise proposals, which are expected to involve stretching out the time for the introduction of new emission standards so that technology other than the three-way catalytic converter could be used.

General seeks French 'star wars' system

BY DAVID HOUSEGO IN PARIS

A FRENCH general has proposed that France should prepare to protect its major cities and missiles silos against nuclear attack through development of "star wars" systems akin to those proposed by President Ronald Reagan in the U.S.

The general, writing anonymously in Le Monde newspaper, suggested that France should co-operate with other European nations on research into a European version of the U.S. Strategic Defence Initiative (SDI).

French officials described the ideas as "fantasy" not least because of the immense cost involved. French defence funds are already committed heavily in advance to the modernisation of the country's nuclear arsenal. In addition, both Britain and West Germany have spoken of their interest in co-operating with the U.S. in any industrial spin-off that could come from research into anti-satellite systems.

The article does, however, imply a tentative beginning to a defence debate on the implications for the French nuclear deterrent of SDI.

The French official view is that the development of "star wars" systems by the U.S. or the Soviet Union would not diminish the credibility of the French deterrent. French officials do not believe the systems will be sophisticated enough to prevent all French missiles getting through to Moscow or other major Soviet cities in the event of a French strike.

The French are, however, carrying out research to reinforce the penetration capacity of their nuclear warheads. They are also anxious for a European approach to satellite technology.

The general goes much further than this in arguing the need for Europe to have its own anti-satellite systems in the year 2010 when the number of nuclear powers will have grown.

Kohl fights to preserve visit by Stroessner

By Rupert Cornwell in Bonn

CHANCELLOR Helmut Kohl seems determined to resist a mounting barrage of domestic and foreign criticism of the planned visit here in July of General Alfredo Stroessner, the German-born dictator of Paraguay.

Ever since the trip became public knowledge six weeks ago, the prospect that West Germany should be playing host to the longest serving military leader in Latin America has aroused much distate in Bonn, especially when democratic regimes have taken over in countries like Argentina, Brazil and most lately in Uruguay.

But the embarrassment has recently acquired a new intensity as international pressure has mounted for a last effort to be made to bring to justice Dr. Josef Mengele, the most notorious Nazi war criminal still at large.

Mengele, whose gruesome experiments at the Auschwitz extermination camp in southern Poland earned him the sobriquet "Angel of Death," is known to have taken shelter in Paraguay for many years after the war.

Although the Government in Asuncion maintains he is no longer in the country—some reports have it that he is dead—this is contradicted by others, including the leading Nazi hunter Mr Simon Wiesenthal.

A French newspaper yesterday claimed direct evidence that Mengele, who would now be 73, was living protected by bodyguards near the north Paraguayan town of Filadelfia.

The world-wide re-emergence of the case, prompted by the 40th anniversary celebration of the liberation of Auschwitz by the Russians, has only added to the discomfort of West Germany as it prepares to commemorate the final defeat of the Third Reich on May 8.

None the less, Herr Kohl plainly believes the Mengele affair constitutes no grounds to call off the Stroessner visit—whatever the misgivings signalled by both Herr Hans Dietrich Genscher, the Foreign Minister, who will be conspicuously abroad at the time, and President Richard von Weizsaecker.

The Chancellor told the cabinet yesterday that it was wrong to pick on small nations whose regimes might be offensive, while dealing perfectly normally with larger countries, run on equally totalitarian lines.

His view is that the visit would be a good opportunity to press for wider observance of human rights and a return to democracy in Paraguay. Government spokesmen also point out that 200,000 ethnic Germans live in the country, including 60,000 with German passports.

But the arguments have notably failed to impress not only the left-wing opposition here but also the liberal Free Democrats within the centre-right coalition. The suspicion is strong that the trip has been heavily promoted by the Right, notably Herr Franz-Josef Strauss, Prime Minister of Bavaria, which the Paraguayan leader will be visiting.

Meanwhile, Mengele's family, who run a small agricultural machinery plan at Günsburg in Bavaria, yesterday angrily denied allegations that they had been secretly sending him funds through a Swiss bank account.

Sympathy strikes illegal

BONN – West Germany's Federal Labour Court declared sympathy strikes illegal yesterday and said that only those employees directly involved in a dispute might take industrial action.

In a ruling based on a walkout by printworkers in support of striking colleagues in 1981, the court said a business not connected with a dispute must not suffer stoppages.

It declared that sympathy strikes were therefore "fundamentally illegal" but added that there could be exceptions if it could be shown there were close links between the enterprises involved.

Lawyers for West Germany's printworkers' union argued against the ruling in court, saying that since 1945 regional – labour courts had repeatedly declared sympathy action legal.

The number of sympathy strikes in West Germany has been small in comparison with countries such as Britain or the U.S. — Reuter

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Gonzalez firm on Nato referendum

By Tom Burns in Madrid

SPAIN'S Socialist Government is determined to hold a referendum on the issue of continued membership of Nato and is increasingly confident of a vote in favour.

Sr Felipe Gonzalez, the Prime Minister, who announced his changed views on Nato at the end of last year, says he will campaign actively in the plebiscite in favour of continued membership. Last December, he succeeded in having the Socialist Party reject its former anti-Nato platform.

Although Sr Gonzalez and other Socialist Party leaders have consistently said that a referendum would be staged, a widely held view has been that it would be shelved.

The idea of a referendum was adopted by the Socialists when they opposed Spain's entry into Nato under the previous Centre Party administration and it formed a key part in Sr Gonzalez's triumphant campaign in the 1982 general election.

Cardinals discuss finances as Vatican's losses mount

BY ALAN FRIEDMAN IN MILAN

THE VATICAN is facing a record deficit of around L60bn (£27m) for 1984, a figure even higher than the L51bn forecast one year ago.

Concerned about the Holy See's losses over the past five years, the College of Cardinals is meeting for three days in Rome this week to discuss the Roman Catholic Church's finances. Aside from last year's deficit, the Vatican lost more than L40bn in 1983, L36bn in 1982, more than L30bn in 1981, L25bn in 1980 and L17bn in 1979.

The deficit is made up of losses at Vatican Radio, the Osservatore Romano newspaper and the administration of Vatican City itself. It does not refer to the Istituto per le Opere di Religione (IOR), the Vatican Bank which has agreed to pay $250m to the creditors of the failed Banco Ambrosiano group.

The IOR's payment, which is being made "in recognition of moral involvement" in the collapse of the late Sig Roberto Calvi's bank (which was missing $1.3bn, when it failed in 1982), is a separate issue and figures from the Vatican Bank are extremely hard to come by.

However, bankers familiar with the IOR say that the Ambrosiano payment has placed considerable strain on Vatican Bank's liquidity and has forced the bank, which is run by Archbishop Paul Marcinkus, to sell property assets and shareholdings.

Archbishop Marcinkus, who once served as the Pope's bodyguard, remains under investigation by Milan magistrates who are looking into charges of fraud in relation to the Ambrosiano collapse. The U.S.-born archbishop is also under separate investigation in connection with a 1972 Vatican loan to the late Sig Carlo Pesenti, the Catholic financier who was an Ambrosiano shareholder.

Strong China a check against war, says Deng

BY MARK BAKER IN PEKING

DENG XIAOPING, the Chinese *leader*, said yesterday that strength through modernisation could give China the ability to counterbalance the superpowers on the world stage.

In his most substantial statement on international affairs for many months, Deng told a visiting delegation from Japan's Chamber of Commerce and Industry that a strong China *would* be able to check the drift towards world war and provide the impetus for a major expansion in international trade.

While China was still developing, its "strength in checking war" was limited. But by the end of the century, when its industrial and agricultural output had quadrupled. China would play a much more important role.

"The growing strength of the Third World, and China in particular, is an important factor for world peace and stability," he said. China had always stood for peace and opposed "superpower hegemonism."

The danger of war still existed, and he saw no progress in the talks between the Soviet Union and the U.S. on nuclear arms control.

"But the *forces* for peace which could exercise a check on war are making heartening progress. Japan does not want war, nor do the people of Europe. The *Third World* countries hope to develop themselves and war will bring them no good."

The growth of China's strength was, therefore, in the interests of peace and stability in the Asia-Pacific region and the rest of the world.

The meeting with the Japanese delegation was Deng's first major engagement since returning from a *long* holiday in southern China.

He told the delegation that, if the developing countries, Japan, Western Europe and the U.S. wanted to develop further, they would have to have new outlets for their funds and products.

"Unless the *Third World* countries can resolve their economic problems, it will be *no easy thing for the developed* countries to make further advances," he said.

"*If the South* cannot develop economically, the North can make very little progress, if any. If the South remains poor, there will be no way out for the North."

Mr Deng said China, despite its size, had done only \$50bn business in foreign trade last year. If China could double or quadruple that level of trade, then its ability to use foreign funds and products would grow considerably.

He conceded that the growth of Chinese exports could lead to greater competition, but the developed countries should not be concerned as they had the most advanced technology and were able to produce higher quality products.

CHINA has decided to revive memories of one of *the most* bitter episodes of the Japanese occupation during *World War II, Mark Baker* writes.

The Government of the northern *province of* Heilongjiang plans to renovate the site of a Japanese germ warfare *camp in Harbin* where more than 3,000 prisoners died after *suffering* horrific *torture* at the hands of Japanese military doctors.

Peking's approval of the plan, at a *time* of warming relations between China and Japan, threatens to provoke a *new bout of political tension*.

Japan's wartime excesses remain an emotive *undercurrent in Sino-Japanese* relations and a cause of lingering suspicion and resentment *among older Chinese people*.

Israel says UN force 'in the way' in Lebanon

By David Lennon in Tel Aviv

ISRAEL *complained to the* ambassadors of the countries contributing troops to the UN forces in Lebanon that "Unifil is getting in the way and interfering in the Israeli searches" of Shi'ite villages in southern Lebanon.

Mr David Kimche, director general of the Foreign Ministry, who was explaining Israel's "ironfist" *policy towards* the Shi'ites, said Unifil in its present deployment was *of very little use*.

The Lebanese appeal to the UN Security Council against *the punitive raids was* dismissed by Mr Kimche who said that no amount of UN *resolutions would help* the Lebanese.

Only a call by the Lebanese *Government to the people of* the south to halt their attacks on Israeli forces could bring *peace to* the area.

Meanwhile, an army spokesman in Tel Aviv denied that any *Israeli positions* in the eastern sector had been evacuated. Equipment is *being withdrawn*, but no outposts have been handed over to the Lebanese, the spokesman said.

UK, Libya hold official talks

BRITAIN AND Libya yesterday had their first official talks since the shooting of policewoman Yvonne Fletcher outside the Libyan embassy in St James's Square, London nearly a year ago, Robert Mauthner, Our Diplomatic Correspondent, reports.

The discussions, at official level, took place in Rome under the auspices of the Italian Government, which has looked after British interests in Tripoli since diplomatic relations were broken off between Britain and Libya in April 1984.

The talks follow a statement by Sir Geoffrey Howe, the Foreign Secretary, to the House of Commons early last month that Britain was prepared to resume contacts with Libya following the release by Tripoli *of four British* hostages.

However, Foreign Office *officials* warned *against* expectations of any dramatic developments from the talks, *which would* deal with "practical issues," such as the welfare of the British community in Libya. Any early resumption of diplomatic relations between Britain and *Libya is* not expected.

South Korea 'to lift ban on leading dissidents'

MR KIM DAE-JUNG, the leading *South Korean dissident said* yesterday that the Government had informed him he would be made "free" shortly, **Reuter reports from Manila.**

"I did *not* bother to ask what the freedom was, but I understand it means lifting of the political ban," Mr Kim said. He said government officials who visited him were not specific on the timing.

Aides of another dissident and Mr Kim's collaborator, Mr Kim *Young-sam*, said *officials* told him yesterday a cancellation of an eight-year ban was also expected this week.

The two are among 14 people banned from all political activity for alleged corruption until 1988 when President Chun Doo Hwan is due to stand down after a seven-year term of office.

The chairman of the ruling Democratic Justice Party, Mr Roh Tae-woo, visited President Chun Doo Hwan yesterday to urge the lifting of the ban, party sources said.

Kim Dae-jung, a 59-year-old former presidential candidate, has been confined to his home by police since his return from two years of exile in the U.S. on February 8.

Although Mr Kim will be allowed to leave his house *where he has* been confined by police since returning from the U.S. he may still be prevented from joining a political party or directly influencing politics because of a suspended 20-year sentence for sedition, diplomats said.

The lifting of the ban is expected to please Washington which had called for an easing of restrictions on Mr Kim. President Chun is due to visit Washington for talks with President Reagan next month.

Diplomats said the revoking of the ban was also dictated by the good showing of a new opposition party backed by the two Kims in last month's national elections.

Although the Democratic Justice Party retained its majority in parliament, the newly-formed New Korea Democratic Party swept the main cities and emerged as the main opposition group.

The timing of the *lifting of* the ban was also important, diplomats said, as the government feared a renewal of antigovernment protests by students who were due to return to their campuses next week after the winter vacation.

Indian state election results

MR RAJIV GANDHI'S Congress I Party was doing well last night as early results were announced in India for elections to 12 provincial assemblies, John Elliott writes from New Delhi.

Polling started on Saturday and was *completed yesterday*, apart from about a dozen constituencies where polling is *to* be repeated because of violence which claimed a total of more than 30 lives.

***The turnout* was *estimated* at around 55 per cent, less than in last December's general election when Mr Gandhi won a landslide victory in national elections.**

***The lower turnout*, and concentration in *some* areas on local issues, may cost him *some votes*. The main results will be announced today.**

Nakasone weakened by Tanaka's absence

BY JUREK MARTIN IN TOKYO

MR YASUHIRO NAKASONE, Japan's Prime Minister, appears to have been seriously *weakened by the disclosure* that his principal supporter, Mr Kakuei Tanaka, looks likely to be out of political action because of ill health, for a very long time.

The widespread view in Japanese political and Western *diplomatic circles yesterday* was that, barring a miraculous recovery by Mr Tanaka, Mr *Nakasone* has *virtually* no chance of staying in office beyond November next year, as he would like, and may do well even to survive beyond this November.

It is also felt that his ability to conduct policy, in the meanwhile, has also been impaired, simply because Japan is about to be consumed by political infighting in which he will not be operating from a strong position. This is a potentially serious matter, given the increasingly heavy pressure for trade concessions from the U.S., which has been relying on a strong Prime Minister to impose political decisions on a recalcitrant bureaucracy.

An important caveat remains Mr Tanaka's health. But medical reports on Monday night said the former Prime Minister faced protracted hospitalisation of at least three to four months. His condition was generally graver than had previously been announced. Almost universally, the talk of Japanese politics has, as a result, moved on to "*the* post-Tanaka era."

Mr Nakasone is a politician of proven tactical resilience but none of his options appears very attractive at present. One possibility, and certainly the biggest gamble, would be to take advantage of the current deadlock in the Diet, where the opposition is boycotting budget hearings, to call a snap general election, hoping that he can reap the credit if the ruling Liberal Democratic Party does well.

At least one of the opposition parties, the Buddhist-based Komeito, might go along with this, but it would be resisted by other centrist parties and a substantial part of the LDP itself. The very act of pushing for an election could even weaken Mr Nakasone inside his own party.

Mr Nakasone: survival beyond *November in doubt*

Another possibility is to try to cut a deal with Mr Shin Kanemaru, a canny LDP veteran who suddenly holds more cards than most in this delicate poker game. He is Secretary General of the LDP, a leader of the Tanaka faction and, crucially, the chief supporter of Mr Noburo Takeshita, the Finance Minister, who has emerged as probably the favourite to take over from Mr Nakasone.

But it is hard to imagine Mr Kanemaru agreeing to anything that would keep Mr Nakasone in office beyond November next year when his two-year term as party leader expires. He *might accept that*, however, if it could be assured that Mr Takeshita, to whom he is related by *marriage, would then* assume the helm.

The big prize in the LDP's factional make-up is Mr Tanaka's 120-plus strong group, which, thanks to its leader, underpins Mr Nakasone. Mr Takeshita is challenging for this and if Mr Tanaka effectively departs from the scene, he could well reckon on picking up the backing of two-thirds of it; the balance would probably coalesce behind another veteran, Mr Susumi Nikaido, but the Prime Minister, whose own faction is only the fourth largest, would be left a little bereft.

It is not that easy for Mr *Takeshita, simply* because his political ambitions are believed to have put Mr Tanaka under great strain. But if he conducts himself carefully over the next two months and, if Mr Kanemaru directs the political traffic as capably as he can, the opportunity is clear.

Also left potentially in the cold is Mr Shintaro Abe, the Foreign Minister and "crown prince" of the political theatre. Once the favourite to succeed Mr Nakasone, *he now must* engage in alliance-making of his own, but it is not easy to see *how he can do this with the* Prime Minister. If complete confusion reigns, however, Mr *Nikaido, a man who is as crafty* as Mr Kanemaru, could step in and pick up the pieces.

But it is, above all, Mr Nakasone himself, who has sought, with some success, to portray himself, at home and overseas, as that unusual character—a decisive Japanese leader, who is now clutching at straws. Most observers here are wondering exactly where he is going to find them.

Botha seeks civil service savings

BY ANTHONY ROBINSON IN JOHANNESBURG

PRESIDENT P. W. Botha yesterday announced a series of cutbacks in civil service pay and conditions designed to cut R500m (£225m) from government spending in fiscal 1985.

Nearly half the savings will *come from a one-third reduction* in the traditional 13th month or double salary payment at *Christmas on all public sector* salaries above R6,000 annually. Other savings will come from *the cancellation of half the* existing job vacancies in the public service and new regulations obliging officials who use an official car to and from work to pay for their journeys.

There would be no cuts in public service jobs but productivity measures would be introduced designed to save R230m a year, Mr Botha added.

The cuts would not only apply to central government employees but also those of *provincial administrations* and nationalised industries such as the Post Office and South *African Transport Services*.

In the autumn of 1983 the Government raised public sector salaries by an average of nearly 30 per cent. The timing, just *before the white referendum* on the new constitution, was widely interpreted as a manoeuvre designed to ensure the voting loyalty of the largely Afrikaner civil service.

The resulting increase in government spending has been *a major inflationary factor. The* increase in public sector borrowing also contributed to a *series of tax and interest rate* increases which have pushed prime rate to a record 25 per cent.

The Government has pledged not to increase government spending in fiscal 1985 and to raise public service productivity by 8 per cent. On Monday Mr Botha announced that government ministers and members of Parliament would take a 3 per cent pay cut.

Banks set to sign debt accord with Philippines

BY SAMUEL SENOREN IN MANILA

INTERNATIONAL BANKS are prepared to sign an agreement with the Philippines *on March* 19 to reschedule about \$6bn (£5.6bn) in maturing loans as well as provide \$925m in new money after overcoming an obstacle posed by the National Commercial Bank of Saudi Arabia, banking officials said yesterday.

The new date for signing of the agreement comes immediately after an International Monetary Fund mission, which arrived in Manila last week, completes its first quarter review of the Philippines' economic performance.

The agreement was to have been *signed in New York* on February 26. But had to be called off when National Com*mercial refused to go along* with the financial package.

National Commercial had not been prepared to extend new loans to the Philippines because of its policy of reducing international exposure. But last week, according to the officials, an advisory committee and the Philippine Government were able to persuade the Saudi bank to join the financial bail-out for the Philippines.

Nancy Dunne examines the pressures facing America's top export institution

Why Eximbank seeks to scrap direct lending

MR WILLIAM DRAPER, the chairman of the U.S. Export-Import Bank, has launched an ambitious campaign to convince Congress and the American business community that the bank can scrap its direct lending programme with "no loss of muscle."

In place of this year's $3.8bn (£3.4bn) in direct loans and $10bn in loan guarantees and insurance, he proposes to use just $136m from the Government-supported bank's own funds to subsidise commercial bank loans and raise the guarantee and insurance authorisation to $12bn.

He claims that as much as $3bn worth of exports could be helped by subsidies.

Mr Draper's stand is based on his adherence to Administration calls to curb the budget deficit. He has said the Eximbank must do its share to meet the budget objectives.

At the same time, he is anxious to put to rest misapprehensions of the business community over what they perceive to be the bank's diminishing role as a supporter of U.S. exports.

Faced with the inhibiting influence of the strong U.S. dollar, the exporting community is seeking greater rather than less competitiveness by the Eximbank.

Mr Draper's situation is a far cry from the 1970s, when the bank was regarded as an effective provider of export finance, a large proportion of it to back the booming overseas sales of the U.S. commerical aerospace industry.

Even at that, U.S. Government financing assistance was less than that provided by other nations to their exporters.

According to the Organisation for Economic Co-operation and Development (OECD), the U.S. in 1981 supported 7.8 per cent of its exports with Government financing assistance, compared with Japan's 36.9 per cent, the UK's 31.9 per cent, France's 18.9 per cent and West Germany's 9.5 per cent.

Even so, under President Jimmy Carter's last budget, the eximbank's lending and financing support reached a record $12.8bn. The bank's supporters point out that this was the last year the U.S. had a trade surplus in manufactured goods.

Since then, the Bank has been hit with budget cuts as part of the Reagan administration's efforts to prune domestic spending, rather than having its funding increased to support faltering U.S. exports.

Indicative of these sometimes frustrating course changes, in 1983 Congress passed legislation giving the Eximbank the job of encouraging foreign governments to end the use of tied aid credits for exports and to limit the use of export credit subsidies.

Mr Draper was required to "vigorously pursue negotiations to limit and set rules for the use of tied aid" and, meanwhile, establish a U.S. mixed credits programme with the


Mr William Draper

Agency for International Development (AID).

Although he succeeded in getting the OECD to "wring out most of the subsidy" in lending rates, he and other industrial trading partners have, thus far, failed to get France's full agreement to refrain from mixed credit offers.

Indignant over this failure, Administration officials last year began to regard the Eximbank as a weapon to be used in an all-out credit war in which the U.S. would demonstrate its "deeper pockets."

However, the AID agency has been tightly budgeted itself and has little spare funding for commercial projects. Of the seven mixed credits offered reluctantly by the Eximbank, only two have had AID participation, and only one has clinched a deal.

The successful offer, subsidised from the Bank's own reserves, was a generous 20-year, $15.25m loan, with a 6.5 per per cent interest charge, to Indonesia, which then bought aircraft parts machining equipment from Cincinnati Milacron.

Despite the U.S. trade deficit approaching an estimated —$150bn Mr David Stockman, the budget director, has once again laid seige to the Eximbank as part of his overall budget reduction scheme.

While Mr Draper, a good team player, has gone along with the direct lending cut-off, only his strenuous efforts have convinced the Administration to set aside funding for subsidies.

Mr Will Berry, director of the Coalition Through Exports, representing some of the country's largest manufacturers, complained of "the confusing signals," the Administration has been sending to American exporters.

He and many others in the business community believe the subsidy programme is "a temporary device—the first step in liquidating Eximbank."

"It is clear that this Administration believes that the bank is unnecessary," he says.

Other exporters complain that subsidies will cost more than direct lending in the long run because the Bank will not be repaid and because it will subsidise higher-priced commercial funds than those the Exim bank borrows through the federal financing bank.

The National Association of Manufacturers (NAM) said that elimination of direct credit will do little to reduce the federal budget deficit but would "seriously impair U.S. exporters' efforts to increase their presence in world markets."

In 1984 the Exim bank used only $1.5bn of its $3.8bn direct loan allocation, the NAM said. It worried that loans are now at an even slower annual rate due in part to "a general lack of aggressiveness on the part of Exim."

On Capitol Hill, the proposal for subsidies has run into stiff opposition. Senator John Heinz, chairman of the Senate Banking Committee, accused the Office of the Management of the Budget of "pulling the rug out from under American exporters."

Whether or not Congress allows the Exim bank to drop its direct lending, bank officials seem to have definitely rejected a mixed credits war.

They say they can no longer afford to make any loans below OECD Consensus level rates, so there will be no mixed credits without AID participation. They have held many meetings with the OECD and are hopeful a mixed credit settlement within the OECD is possible this year.

Japan unlikely to step up car imports into U.S.

BY KENNETH GOODING IN GENEVA

A CLEAR hint that the end of voluntary restraints on Japanese car imports to the U.S. would not be followed by a huge surge in sales was given yesterday by Mr Teiichi Hara, executive managing director of Nissan.

He said the Japanese motor industry was delighted by President Ronald Reagan's decision last week not to continue the restraints which in the year beginning last April held imports at 1.85m.

"We entered into the voluntary restraints with the understanding that Japan's car imports had done substantial damage to Detroit.

"But now the Big Three American producers have been able to reap substantial profits and have recalled most of their workers they laid off. So there is no reason to continue with voluntary restraitns."

However, said Mr Hara, there was still a major imbalance in trade between Japan and the U.S. — more than $38bn (£34.5m) in Japan's favour—of which the car manufacturers were well aware.

Nissan executives have, in any case, previously suggested there is a limit to the market share Japanese cars could win in the U.S.—some say no more than 20 per cent, compared with the current 18 per cent.

Mr Hara insisted that the easing of restraints in the U.S. should make no differece to his company's approach to Europe. But the Japanese would be glad to see some of the controls on car imports in some European countries gradually lifted.

Last year, Nissan's car sales in Western Europe fell by over 2 per cent to about 288,000, but it maintained its market share at 2.8 per cent, and was ahead of its main rival, Toyota, which had 2.3 per cent.

● Canada will soon announce its decision on whether to extend quotas on car imports from Japan for 1985-86, Reuter reports from Ottawa.

Mr James Kelleher, the Trade Minister said negotiations are still under way with Japan, but that a decision will be made by March 31, when the existing agreement expires.

AT&T and Philips win Saudi order

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics company, has received a $36.3m order from Saudi Arabia for 10 digital telephone exchanges which will be supplied by Philips' joint telecommunications venture with American Telephone and Telegraph (AT&T).

This is the second order for the AT&T-Philips 5ESS-PRX digital switches in two weeks, following British Telecom's (BT) £20m ($21.2m) contract for nine exchanges. BT also placed a £800,000 order for optical transmission equipment.

While of moderate size, these deals could lead to further business for AT&T-Philips and thus boost the one-year-old company's sagging sales.

Philips hopes to supply the Saudi Post-Telephone-Telegraph (PTT) with additional transmission lines needed for the 10 new exchanges, which will be used to expand the system rather than replacing old exchanges. The new exchanges are to begin operation between the third quarter of this year and mid-1986.

The new transmission lines and even more telephone exchanges, however, could go to L.M. Ericsson of Sweden, which is Philips' partner in a Saudia Arabian joint venture. The joint venture was established in 1977 for the purpose of providing the Saudi PTT with one of the most modern telecommunications systems available.

Since then, the Swedish-Dutch venture has received contracts worth about $4.2bn, with orders filled alternately by Philips and Ericsson.

Outside the Saudi venture, Philips and Ericsson are engaged in fierce competition. In the Netherlands, speculation recently has flared up over their possible shares in the Dutch PTT's Fl 7bn ($1.8bn) plans to modernise the telephone system.

Finnish chemicals group signs £1bn Soviet barter deal

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

KEMIRA, the Finnish state-owned chemicals group, has signed one of Finland's biggest ever barter deals with the Soviet Union, involving the exchange of plant protection chemicals for fertiliser raw materials.

The deal, worth some FM 8bn (£1bn) will run for 14 years from 1985 to 1998 and will meet a substantial part of the Soviet Union's demand for sugar beet herbicides and seed dressing chemicals for cereals.

The contract has been under negotiation for more than five years. For the Soviet Union it has the attraction of replacing previous hard-currency imports with a barter transaction.

The deal offers Kemira the chance to develop its own agrichemicals operations in Finland, where it will now have sufficient demand to manufacture the active chemical ingredients domestically for the first time instead of importing them from West European or U.S. chemicals producers.

It is planning to invest some FM 500m in new plants, which will provide new capacity to satisfy the Soviet contract and also provide the base for a new agri-chemicals business in Finland. The Soviet contract should be in full operation by 1988.

From the Soviet Union it will import chiefly ammonia, potash and raw phospate as fertiliser raw materials, as well as well as aniline as a raw material.

The sugar beet herbicide and grain fungicide that will be exported to the Soviet Union have previously been supplied chiefly by Schering of West Germany and Uniroyal of the U.S.

Kemira, Finland's leading chemicals company, has embarked on a major expansion abroad. In January, it announced the purchase of Esso Chemie's nitrogen fertiliser production plants at Rozenburg, near Rotterdam.

Last year, it acquired the UK paint manufacturer Donald MacPherson, and in 1982 bought the UK fertiliser manufacturer L and K Fertilisers.

Israeli officials 'delaying exports to Colombia'

BY DAVID LENNON IN TEL AVIV

ISRAEL'S Ministries of Finance and Industry were yesterday accused of endangering $450m (£409m) worth of countertrade deals with Mexico and Colombia "because of rampant bureaucracy." The accusation came from Mr Moshe Shahal, Israeli Energy Minister, who recently signed trade agreements with these countries.

"There is no co-ordination, and, to my regret, the officials have no experience of this type of transaction," he claimed. "They seem not even aware of how to open parallel credit lines."

This outburst followed the visit to Tel Aviv last week of a delegation from Pemex, the Mexican national oil company, which examined agricultural, aviation, engineering and energy and agricultural products.

This is expected to produce orders of $10m-$20m in the coming months. Additional Mexican state companies are due to send purchasing missions to Israel.

The Minister said the proposals for countertrade made by the Treasury and Ministry of Industry and Trade were unrealistic. He accused these ministries of delaying exports to Mexico and Colombia by raising bureaucratic barriers and by a lack of co-ordination.

Red-tape reforms under way

BY CHRISTIAN TYLER, TRADE EDITOR

THE BRITISH computer company ICL calculated a few years ago that it wasted £32,000 getting 200 loads of equipment through border posts in the EEC. Half of the money went in agency fees for handling cumbersome documentation; the other half was the cost of overage delays at each crossing point of one-and-a-half hours.

Today the European Commission estimates that companies are wasting 500m ECU (about £300m) a year, or 5 per cent of total transport costs, in getting 7bn ECU worth of goods across frontiers in the so-called 1-nation free market.

Border red tape comes in many forms. The West Germans solemnly insert dipsticks into lorries' fuel tanks in order to collect duty on the fuel—part of a protectionist screen for German hauliers. Italian customs, a powerful bureaucracy, have the reputation of being the most officious in Europe—when the inspectors are on duty, that is. French border officials will not readily allow customs work to be done at final destinations because their pension fund is somehow linked to the amount they collect.

In Britain, there are just not enough customs men, following a recent cutback in civil service departments.

Again, certificates of road-worthiness issued in one country may not be recognised in another. Different countries demand different statistics; the French and Italians need to collect more than others because they operate exchange controls; the West Germans want to know all about lorry movements because of a quota system for freight-sharing that predates the founding of the Community.

Yet some progress had been made in simplifying border routines. The excitingly named "frontier facilitation directive" came into force at the start of this year. It requires all countries to man their posts for the same 10 hours a day, to keep on hand specialist inspectors for vetting consignments of meat and checking for pests and diseases, and to honour each other's lorry safety certificates.

A more substantial reform is under way, and could be completed in two years' time. It is to replace with one document the up to 70 different forms that a trader or agent may have to fill in for the lorry driver who is delivering the goods. The latest draft of the document has six carbon copies and a mere 58 boxes to be filled in on the single top sheet. Officials say the big gain is that the new form will set a limit to the amount of information any member state can demand, now and in future. The document is being scrutinised by various European agencies, and form designers will be invited to bid for the job of producing the agreed version.

A third, minor, improvement agreed by EEC Ministers in the last two years was a relaxation of the rules to help commercial travellers carry samples for exhibition. It will also be easier to shift such VAT-exempt goods as wedding presents, company cars and the household belongings of mobile Euroexecutives.

The next politically realisable objective is to harmonise the customs computer systems that are beginning to be installed by some governments. Britain already has what is known as direct trader input, allowing companies to register freight details with customs headquarters, and in theory giving the driver rapid clearance at each border post. France has a system called SOFI and Belgium and Holland are setting up their own. Ministers have asked the Commission in Brussels to find ways of preventing an outburst of electronic incompatibility—but that could take another five years at least.

Further loosening of EEC border controls appears, however, to depend on greater economic integration. For example, a common currency would dispense with the need to declare agricultural goods for monetary compensation amounts (MCAs), the system for insulating Community farmers against exchange rate differentials.

Again, much of the administrative load could be removed if duty-free thresholds could be raised. There would be even greater benefits if all EEC countries would consent to collect VAT away from the border, to charge a single set of VAT rates, or to accept deferred accounting for VAT collection and reimbursement.

The Commission has asked member states to phase in a delayed accounting system for VAT collection, presently operated only by the Benelux countries.

But the chances of such a major reform do not look good. Ireland abolished its deferral system in 1980 to help cash flow. Britain followed suit last autumn, giving the Chancellor a once-for-all £1.2bn cash flow gain for a period of three months.

The VAT hurdle will only be surmounted, officials say, if all EEC finance ministers can be persuaded to give up their room for fiscal manoeuvre.

● This is the third in the series

Senate Republicans abandon attempt to draft cuts package

BY STEWART FLEMING IN WASHINGTON

U.S. SENATE Republicans have conceded defeat in their efforts to draft a package of spending cuts aimed at reducing the $200bn plus (£182bn) annual federal budget deficit, Mr Pete Domenici, chairman of the Senate Budget Committee, has disclosed.

Senator Domenici has instead moved to initiate formal negotiations within his committee involving both Democrats and Republicans. He kicked off the proceedings himself this week by launching a proposal for cutting the deficit by $300bn over the next three years.

Mr Domenici's plan has been dubbed "the promised land," a title chosen to identify the target of a $100bn budget deficit in 1988. However, it unwittingly conveys the quality of fantasy which has overtaken bold and painful initiatives designed to cut the budget.

Mr Domenici's plan, which does not have the support of his own party in the Senate, the Reagan Administration or the Democrats, would reach the promised land by initially cutting government spending by $60bn in 1986.

This would be achieved in part by enacting the bulk of President Reagan's spending cuts (almost all of which are in political trouble), freezing social security spending (which the President has hinted he would accept), and raising defence spending by 3 per cent rather than the 5.9 per cent the President has asked for. The White House opposes this reduction in the growth of the defence budget.

At the beginning of last month Senator Robert Dole, the Republican majority leader in the Senate, failed in a bid to meet a self-imposed deadline for rallying his party behind a budget-cutting scheme. Since then, hopes of a major budget package have been fading.

By pulling Democrats formally into the budget negotiations in the Senate this week Mr Domenici has opened the door for a politically charged budget policy debate which, if anything, is less likely to result in major spending cuts, but which will at least saddle the Democrats with clear responsibility for the future which is anticipated.

Bank of Boston's dealings under careful scrutiny

BY PAUL TAYLOR IN NEW YORK

OVER the past month, an intriguing story has unfolded around New England's premier banking institution, the First National Bank of Boston.

On the one hand, it involves paper bags stuffed full of money, deposited at one of the bank's branches in Boston's Italian neighbourhood by members of the Angiulo family, alleged ringleaders of the New England mafia, in return for millions of dollars in cashiers' cheques.

On the other, it involves more than $1.2bn in cash currency transactions conducted by the Boston bank with a group of overseas, mostly Swiss, financial institutions.

The Bank of Boston maintains there is "absolutely no connection" between the two sets of transactions. Instead, it admits only that a four-year investigation by Federal authorities into the domestic financial activities of the Angiulo family in New England led to the unearthing of a "clerical oversight" by the bank's officers failing to report legitimate large cash transactions with foreign banks.

Nevertheless, the revelations have cast a long shadow over the 200-year old banking group, a pillar of Boston society, which is also the 16th largest banking group in the U.S.

For the first time ever, rumours about "money laundering" have touched one of the nation's premier financial institutions.

Brown: "systems failure"

The problem of money laundering — passing illegal profits from drug dealing and other illegal activities through financial institutions to disguise their source and amount—is not new. But, until recently, attention has focussed on smaller, more shadowy institutions.

The Federal Government's attempts to crack down on this activity have focussed on setting up a special team of investigators, nicknamed "Operation Greenback" in Florida five years ago, together with tougher domestic and international cash transaction bank reporting requirements gradually introduced since 1970.

In New England, Federal investigators and the state organised crime squad began sifting through financial affairs of the Angiulo family several years ago. Gradually they pieced together a tangled web of cash transactions which has led them to a series of bank and brokerage firm accounts.

In the process, they discovered that First National Bank of Boston had been failing to report large cash transactions with foreign banks following a tightening of the reporting rules in 1980 to cover foreign, but not domestic, inter-bank cash transactions involving more than $10,000.

But it was not until early last month that the fruits of their investigations began to become public.

Late on February 7, First National Bank of Boston pleaded guilty to a charge that it "knowingly and willfully" failed to report $1.22bn in foreign currency transfers over a four-year period and agreed to pay a $500,000 fine.

According to Federal investigators, these bank-to-bank shipments involved unusually large amounts of $5, $10 and $20 bills being carried to Boston from overseas for deposit in satchels by transatlantic couriers. When the foreign banks made withdrawals, new $100 bills would often be shipped back across the Atlantic. The pattern of transactions led some Treasury and other officials to suggest the bank may have been used unwittingly as a conduit for money laundering.

The Bank of Boston, the bank's parent holding company, has steadfastly maintained that the transactions were part of its normal correspondent banking business

But the unwelcome publicity for the Boston bank did not end there. A few days later, as more details of the Federal Prosecutor's investigation into the Angiulo family emerged, the bank's chairman, Mr William Brown, held a rare Press conference.

At it, he said the failure to report the foreign cash transactions resulted from a "systems failure" whereby bank officers failed to act upon the 1980 change in reporting rules. The bank chairman emphasised that there was "no evidence" to link the reporting failure with illegal money laundering.

Meanwhile, in Boston more details about the separate inquiry into the Angiulo family finances continued to emerge. The Press discovered that Federal prosecutors filed an affidavit last September which detailed the banking arrangements between the family and one of the Boston bank's branches—arrangements which the former head teller of the bank's North End branch subsequently confirmed.

Two weeks after the initial revelations, Mr Brown held a second news conference at which he said he was now free to talk about the Angiulo family after being exempted from Justice Department restrictions.

He confirmed that for a four-year period until 1983, the bank kept two Angiulo-controlled properties on a special "exempt" list which allowed the five Angiulo brothers to carry out more than $2.1m in cash transactions without having them reported to the Government.

However, Mr Brown emphasised that the list of exempt companies was available to the government and denied that there was any attempt to conceal the bank's dealings with the family.

He also repeated that there was no connection between the bank's international currency transactions and Angiulo banking transactions.

However, he said the bank had appointed a special five-member committee of outside directors to investigate both the failure to report the international transactions and its relationships with members of the Angiulo family.

"We have concluded, after thorough investigation, that supervisory and operating personnel at the bank used poor judgment in putting the Angiulo companies on the exempt list. As a consequence, we have revised and strengthened our

"Nevertheless, the very fact that the Angiulo companies were on the exempt list was clear cut notice to the interested government agencies that those companies regularly dealt in large cash transactions.

"Because our internal procedures failed to bring any questions regarding the Angiulo accounts to the attention of top management, we have been at fault," he said.

"Let me emphasise that we have been conducting investigations internally for a year and, again, we have no evidence whatsoever that any employee of the bank benefited in any way from the transactions and accounts with the Angiulos.

"Any question, or even innuendo, that there has been any connection with a crime syndicate is false."

A Federal grand jury is believed to be continuing its investigation and next Tuesday, the day after five members of the Angiulo family are due to go on trial on charges which include racketeering, the first of two scheduled congressional inquiries will begin into how the bank's failure to report the $1.2bn in overseas cash transfers.

The bank's officers are not alone in coming under Congressional scrutiny. The hearings could also cast further serious doubts on the effectiveness of the various bank regulatory and examination procedures which failed to pick up the reporting failures eralier.

Whatever the outcome, it could be some time before the Bank of Boston group, which was, until recently, riding high after reporting a 21 per cent jump in 1984 net earnings to over $164m, regains its self-confident posture.

U.S. Government probes General Dynamics' bills

BY WILLIAM HALL IN NEW YORK

THE U.S. Defence Department has taken the highly unusual step of temporarily suspending some payments to General Dynamics, the country's biggest defence contractor, while it investigates possible irregularities in billing the Government.

Mr Caspar Weinberger, U.S. Secretary of Defence, announced yesterday that the U.S. Government was stopping payments of $35m a month to the company for 30 days while it investigated the company's alleged billing abuses. If the investigation is not completed within 30 days, the suspension of payments will be extended. The investigation will also cover possible criminal activity by the company.

General Dynamics shares slumped following the announcement. In less than an hour the shares fell $6⅛ and by lunchtime were trading at $76⅛.

General Dynamics produces many of the Petagon's favourite weapons such as the F-16 jet fighter, the M—1 tank and Trident submarines.

In recent months, Members of Congress have charged that the company allowed entertainment expenses to be improperly billed to the U.S. Government.

Mr Weinberger said yesterday that there was evidence that the cost of boarding a pet dog owned by a company official had been billed to the Government.

The Defence Department's action is a sign of a much tougher approach to alleged abuses by the major defence contractors who have been prospering greatly on the back of the defence spending boom. Mr Weinberger said that in future all contractors will be required to certify "under danger of perjury" that items billed to the Government were legitimate work done under the terms of the contract.

A Congressional sub-committee has been investigating several incidents of overcharging by General Dynamics, including a $18,650 (£17,000) bill for an executive's country club fees and gifts of jewellery to the wife of Admiral Rickover, the former head of the Nuclear Submarine Group for which General Dynamics acted as primary contractor.

Software joint project clears legal hurdle

THE U.S. Justice Department said it will not seek to block on anti-trust grounds a proposed joint software research project by 20 computer and aerospace companies, AP-DJ reports from Washington.

The proposed consortium, which includes a number of the largest U.S. aerospace contractors including Boeing, Rockwell International and Sperry, is the first such joint venture to clear Justice Department scrutiny under the National Co-operative Research Act passed by Congress last winter.

Final plans for the joint venture have been held up pending an antitrust review and other decisions.

Companies involved in the joint venture say the aim is to combine research to develop advanced artificial intelligence software and very large scale computer aided design programs.

U.S. curbs on leaded petrol 'may hit prices'

By Nancy Dunne in Washington

RULES issued by the U.S. environmental Protection Agency (EPA) on Monday, which will mean a 90 per cent decrease in the use of lead in gasoline by the end of the year, may disrupt supplies and raise prices, according to the American Petroleum Institute (API).

The rules require that the lead content of gasoline be reduced from the current maximum of 1.1 grams per gallon to 0.5 grams by July 1 and 0.1 grams by January 1, 1986. The agency is also seeking public comment on a total ban on leaded fuel by 1988.

"The lead-reduction schedule will create a substantial prablem for the refining industry in providing motorists with adequate quantities of high-quality gasoline at reasonable costs," the API said.

Refiners warned that the rules could cause gasoline shortages this summer.

Reagan links MX funds to Geneva talks success

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT RONALD REAGAN yesterday appealed to Congress not to "unilaterally weaken" the U.S. negotiating position for arms talks with the Soviet Union by rejecting funds for one of the key components of his strategic build-up, the MX intercontinental missile.

The Soviet Union would be watching keenly to see if Congress were to "blink" on the MX programme and reduce U.S. capability "without their having to do a thing," Mr Reagan told a congressional breakfast meeting.

Mr Reagan's latest appeal came as he pulled out all the stops to avoid defeat for the controversial 10-warhead missile in a series of crucial Congressional votes that could still go either way later this month. While Congressional sentiment appears to be moving in favour of the missile, the White House says that it is "not confident" of victory.

Mr Reagan launched his latest campaign to save the MX with a report to Capital Hill on Monday formally requesting the release of $1.5bn for another 21 missiles in addition to the 21 already in production. Congressional approval would bring the $21bn programme for a total of 100 missiles past its halfway mark.

MX opponents believe that rejection of the new funds could strike a fatal blow to the 12-year-old missile programme, which they regard as unnecessary, too costly and strategically destabilising. They argue that the existing 1,000-strong U.S. Minuteman force provides a more than adequate nuclear deterrent.

The missile's critics won what they hoped would be a decisive victory last year, when Congress accepted that the additional $1.5bn could not be released unless the Administration won every one of the four votes, two each in the House and Senate, that are now to be held around March 20.

Mr Reagan, however, has markedly improved his hopes of turning the tables with the agreement to resume arms control talks with Moscow in Geneva next Tuesday.

In his report to Congress, Mr Reagan argued both that the missile was essential to offset the continuing rapid Soviet build-up of offensive strategic forces, and that its rejection would seriously endanger the prospects for an arms control agreement.

British-led group expected to win Inmarsat contract

BY PETER MARSH

AN INTERNATIONAL consortium led by British Aerospace looks almost certain to win a $160m contract to supply three satellites to Inmarsat, the international satellite organisation that operates communications links for ships.

The London-based Inmarsat said yesterday that it was due to complete negotiations with British Aerospace over the contract by next month.

Only if these discussions break down will the international organisation, which is owned by 43 countries, reopen negotiations with a second bidder for the satellite contract, another consortium headed by Marconi Space Systems of Britain and including Ford of the U.S. and Aerospatiale, the French company.

The decision was taken by a meeting of Inmarsat's governing council, which has been meeting in London since last Wednesday.

British Aerospace's partners in this venture are Hughes of the U.S. and Matra of France. Assuming the final negotiations are successful, the consortium stands to gain further orders from Inmarsat over the next few years for an additional six satellites worth about $240m.

If the order is sealed, British Aerospace Dynamics Group, based in Stevenage, north of London, will be given the job of planning the design and construction of the satellites.

The first three satellites in the order are due to form the basis of a second-generation communications network for Inmarsat, which routes telephone calls and data between about 3,000 ships and their shore bases.

The new satellites will enter orbit from 1988 onwards. They will take over the function of Inmarsat's existing space vehicles, which are all leased – either from the European Space Agency, Comsat General of the U.S. or Intelsat (the international organisation responsible for routing ordinary telecommunications traffic by satellite).

Stock Exchange plan

BY JOHN MOORE, CITY CORRESPONDENT

THE 4,500 members of the London Stock Exchange have been told by Sir Nicholas Goodison, chairman, that he hopes to hold a meeting of members on June 4 to gain their support for radical constitutional changes.

The changes will lead to a dramatic change in the membership structure and the full admission of outside financial groups to the exchange.

Sir Nicholas said in a letter to members yesterday that the ruling council of the exchange had "nearly completed its review of the membership rules and related subjects."

He said the council's deliberations had covered a wide range of future policies and regulations. These included those relating to individual membership, qualifications for membership and for those who would advise their firm's clients, corporate membership, outside participants and reciprocity between stock exchanges.

The proposals for the changes have been formed by a six-man subcommittee of the council

Miners in many parts of Britain marked the end of the year-long pit strike by marching back to work in front of their union banners. Mr Arthur Scargill (right) president of the union, is seen shaking hands with a well-wisher as he led miners returning to Barrow colliery, near Barnsley, South Yorkshire. The march was later halted by a line of pickets and no miners reported for work at the pit.

NCB to shift power base

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Coal Board's (NCB) plans to devolve power to regional directors and pit managers, and to begin moving many of the central services out of its London headquarters to the regions, will be put into operation in the next two to three months.

The date provisionally set for the changes to begin is April 1, though this may slip because of the problems associated with the start-up of production after the 12-month strike.

The office of the chief executive, which is presently composed of Mr Ian MacGregor, the NCB chairman and Mr James Cowan, the deputy chairman, will be strengthened and extended.

Three, or possibly four, of the NCB's "brightest and best" area directors are likely to receive new and powerful jobs soon. All of these are seen as possible future chairmen or deputy chairmen of the board – though Mr MacGregor is thought likely to at least complete the 18 months of his contract before retiring.

The directors are Mr Michael Eaton, the North Yorkshire area director and for the past five months the board's "voice" in place of Mr MacGregor and who has impressed ministers with his handling of his task; Mr Ken Moses, the North Derbyshire director, whose inventiveness won back men in his area from an early date in the strikes; Mr John Northard, director of the Western area who has been similarly successful in breaking his strike; and Mr Albert Wheeler, the hard-line Scottish director – though he is seen possibly as too publicly abrasive even for the new, tough board.

Mr Eaton, with his intensive experience in the past months, is talked of as a possible board-level appointment.

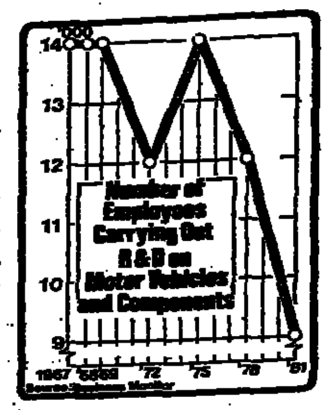
Crucial to the new top management team will be the imposition of guidelines on pit level management, especially in industrial relations, and the development and writing of the new "Plan for Coal" to replace the 10-year old plan, the targets of which are hopelessly unrealistic.

The new plan would contain no output targets. It would set instead a loose framework concentrating on issues such as the market for coal, productivity and "community responsibility" where pits have had to be closed.

Motor industry said to face crisis over research resources

BY JOHN GRIFFITHS

THE UK is facing a gathering crisis in research and development (R & D) in the motor industry and other sectors, according to Mr Harry Sheron, managing director of BL Technology, the research arm of state-owned car group BL.



He said it was being brought about by lack of investment, inadequate government support, a dearth of designers, engineers and other technologists and an education system which was failing to inject new blood.

The UK might already be "below the critical level" needed for its efforts to stay internationally competitive in its technology and products, Mr Sheron said.

There were few designers left in the UK capable of producing an automatic gearbox, he said. If trends continued there would be no engine design capability left in Britain within a decade. On a wider front, even the UK's defence capability was emerging as a problem.

In the past few days, two examples had emerged:

Jaguar Cars acknowledged that it was having difficulty in finding qualified engineers at salaries of up to £20,000 a year.

At the Government's security communications centre at Cheltenham, there was a reported shortage of a range of electronics specialists which, according to union sources, was beginning to hamper the centre's operations.

The engineering and technology-based industries is the only sector where the supply of graduates falls short of demand.

Statistics produced by the Open University indicate that only about one fifth of graduates in the field actually enter the industries themselves.

"Where the others go is indeed puzzling," a report by Dr John Herlock, the university's vice-chancellor, says. "There are many people who argue for engineers to enter merchant banks and the Civil Service. I would be the last to dispute the proposal that more engineers should be recruited to these areas, but I am concerned about industry being bled white."

The gap between what the UK and leading developed world competitors were achieving in terms of technological effort was enormous, Mr Sheron pointed out. "It is likely now that total research and development spending in the UK motor industry has fallen to below £200m. But about 95 per cent of that relates to new model development. In other words, only about 5 per cent of that is going into truly original research."

Statistics from the UK's Business Monitor show only just over 1 per cent of that R & D spending is financed by the Government. In the U.S. in 1983, according to federal government statistics, some $1.07bn was provided from federal funds for R & D in motor industry and transportation sectors.

Tories slip further in opinion poll

THE CONSERVATIVES' position in an opinion poll continues to decline, according to Market and Opinion Research (Mori). It says the decline has mainly benefited the Social Democratic Party/Liberal alliance, Peter Riddell writes.

The poll, published in the Standard, the London evening newspaper, puts the Tories at 39 per cent, compared with 42 per cent in late January, with Labour at 35 per cent (34 per cent) and the Alliance up from 21 to 24 per cent.

This result conflicts with another recent Mori survey conducted slightly earlier in February which put Labour at 40 per cent, the Tories at 38 per cent and the Alliance at 19 per cent.

The latest survey shows that the biggest switch has occurred among home owners with mortgages (roughly two-fifths of all families), probably reflecting the impact of the latest increase in mortgage rates.

The overall implication is that British politics is now in a much more fluid phase and that the impact of the miners' strike was probably declining well before its final end this week. For instance the percentage of the sample mentioning trade unions/strikes as the most important issue has declined sharply since the end of last year, while the proportion mentioning prices/inflation has risen sharply.

□ MISTAKES that caused the accident at the Three Mile Island power station in Pennsylvania six years ago would not occur at the proposed Sizewell B plant, on the east coast of England, the Central Electricity Generating Board (CEGB) claimed yesterday.

The CEGB wants to build a pressurised water reactor at Sizewell – the same type of power station as that involved in the U.S. accident.

Lord Silsoe QC, the CEGB's leading counsel, told the Sizewell inquiry that operator training, control room layout and maintenance procedures would all be of a more acceptable standard than those employed at Three Mile Island.

□ ICI plans a doubling of key research staff in its fast-growing agrochemicals division. Recruitment will total 200 over the next five years as part of an investment programme costing over £25m.

The expansion will take place at Jealott's Hill in Berkshire, the group's world headquarters for primary agrochemicals research. The number of teams working on the synthesis of organic chemicals is to be doubled to 42.

In its record results announced last week, ICI disclosed agrochemical profits of £82m – up 52 per cent – on sales of £635m for 1984.

□ BRITISH SAVERS have moved their money away from bank deposits over the last 10 years and into building societies, pension schemes and housing.

Bank deposits take only 6 per cent of personal sector funds. Ten years ago their share was 28 per cent, according to a survey by Financial Sector Research Associates.

The personal sector's sources of funds in 1983 totalled £49bn, of which £22bn was provided by savings, £20bn by borrowings and the remainder principally by capital transfers.

□ BOEING, the U.S. aircraft manufacturer, has placed a contract with Short Brothers of Belfast for carbon fibre rudders for the Boeing 737-300 aircraft.

The state-owned Belfast company said it had been asked to make 150 rudders using advanced composite materials. The first rudder is due for delivery in March next year.

Shorts said the value of the work would be millions of pounds. It is the first significant contract for a UK company to result from the 737-300 project.

Citicorp draws closer to the City establishment

BY DAVID LASCELLES, BANKING CORRESPONDENT

CITICORP'S RECENT takeover of Seccombe Marshall & Campion, the small discount house, was yet another dramatic sign of change in the City of London. No bank, let alone a foreign one, had ever owned what some people call the Bank of England's protected species.

But does it mean that the takeover wave which has engulfed the stockbroking and jobbing community in the last 18 months has now burst over into the discount market as well? Despite initial speculation along those lines, the prospect seems small.

For one thing, Citicorp had its own reasons which not many other banks appear to share. For another, the discount market is, itself, likely to undergo big changes in the next couple of years, and many would-be entrants may prefer to hold their fire until they see what happens.

The UK's nine discount houses are special banks which deal in short-term instruments such as bills, and have traditionally been the channel through which the Bank controls the liquidity of the UK banking system. As such, they are the only institutions which have a dealing relationship with the central bank, a privilege which clearly attracted Citicorp.

The large New York bank said that it wanted a presence in the whole gamut of UK financial markets. Its acquisition of stockbrokers Scrimgeour Kemp-Gee and Vickers da Costa has already taken it into bond and equities, but it also needed a dealing ability at the short end – where U.S. banks are active in their own country.

But some people in the City also see the acquisition as a bid by Citicorp to get closer to the UK banking establishment, and specifically build a rapport with the Bank of England. Its application last year to join the clearing system – again the first by a foreign bank – seemed to be spurred by the same motives.

Citicorp denies that this was a leading reason. Mr John Rogers, vice-president, said that since Citicorp was already dealing in short-term instruments, it preferred to do so with proper franchise in the market. Obviously, though, it hopes to get a better reading of the Bank's thinking through its discount house.

British banks feel quite close to the Bank already, and few foreign banks are quite as ambitious as Citicorp, which is why there may not be that many potential discount house acquirers.

With the gradual removal of patronage in the City, the dealing relationship with the Bank is about the only advantage left to being a discount house these days. Whether that gives the houses a jump on the rest of the market is a moot point. The Bank denies that it sends them any advance warning of its dealing intentions, but the closeness of the relationship must help. Starting next year, the Bank will advertise all its dealings on a screen, so dealers will all be equal.

Some see a positive disincentive for a large UK bank to buy a discount house. The Bank of England would not allow it to issue paper through its subsidiary for conflict of interest reasons, so it would only reduce its access to the market. This is less of a problem for Citicorp, which does not issue huge quantities of sterling paper.

Besides, the price that Citicorp paid for Seccombe – a 45 per cent premium – seemed a high entry ticket to a market whose privileges have anyway been dwindling at the Bank's instigation. (Not that the £7m Citicorp paid was a gargantuan sum. "It probably came out of their advertising budget," commented one banker about the enormous publicity the deal received.)

The discount houses' most lucrative perk – the "club money" which other banks have to place with them – is being phased out. Their returns on capital have also fallen since the Bank stopped advancing them cheap money and allowed more capital into the business, which in turn strained some smaller houses and triggered mergers which have halved their numbers.

The Bank has stopped short of abolishing the discount market altogether despite the huge changes which are transforming other markets such as gilts (Government stocks) and opening them up to all respectable comers (including discount houses).

The Bank has taken this stand partly out of an instinctive reaction against too much change at once. But it also wants to protect the smaller houses and ensure that highly sensitive short-term interest rates are formed by independent market-makers. In addition, it wants to sort out the problem created by the mountain of bills it has accumulated through its monetary control operations in the last few years.

Mr Gordon Pepper, senior partner of Greenwells, the stockbrokers, believes that there should be no barriers between the long and short-term money markets. Preserving the artificial distinction creates unnecessary complications, wastes capital and probably adds marginally to the cost of money. The fact that discount houses can become gilts dealers, but not the other way round, is also unfair.

No other country makes the distinction, though in the U.S. the Federal Reserve confines its money market dealings to a fluctuating group of 30 or so banks and investment houses.

Whether the Bank will hold to its line remains to be seen. Once the dust has settled from next year's Big Bank liberalisation of gilts and equities, officials may well take another look at the discount market's own future. But the next step is more likely to be the admission of new entrants, such as gilts dealers, rather than the removal of the barriers, though evolution will bring that about too, eventually.

BBC licence fee increase 'justified'

By Raymond Snoddy

AN INDEPENDENT review of the BBC's finances and efficiency published yesterday has "verified the justice" of the corporation's case for a £19 increase in the colour licence fee to £65, the BBC claimed.

The review, by Peat, Marwick, Mitchell, the management consultants and accountants was requested by Mr Leon Brittan, the Home Secretary.

It makes 30 recommendations for cutting costs or increasing efficiency ranging from using outside contractors for cleaning and security services in central and West London to the introduction of regular reviews of objectives and greater flexibility in the mix of television programme output.

Mr Stuart Young, BBC chairman, said the recommendations involved only "fine tuning at the margins" and amounted to a clean bill of health for the BBC.

The corporation emphasised yesterday that the consultants had been unable "to identify major sources of immediate economy while maintaining the range and quality of the BBC's existing services" – the review's terms of reference.

Peat Marwick also endorsed all but £10m of the BBC's inflation assumptions which make up 70 per cent of the increase claimed.

Arising from the review the BBC is to have talks with the independent Channel 4 to see how costs compare.

Labour calls for action over nation's poor diet

BY ANDREW GOWERS

THE OPPOSITION Labour Party called yesterday for a government drive to improve what it described as Britain's unhealthy diet.

In a discussion document, it said the Government should set "dietary goals" as the basis for a food policy aimed at improving the nation's health. Food regulations should be used to force manufacturers to improve the nutritional value of their products.

"It is a matter of putting pressure on the food industry to supply healthier foods at prices people can afford," the document says, describing the recent government move to set minimum standards for meat products as "weak."

It expresses concern about "the domination of the food industry by a handful of large companies" which "exert an enormous influence on the eating habits of the nation."

Labour cites evidence linking high consumption of saturated fats, sugar and salt with ailments such as heart disease, diabetes and high blood pressure. It underlines the connection between poverty and a poor diet.

The issue of food and health has received growing publicity in recent months, particularly since the publication of a government-sponsored report last summer which drew attention to the link between Britain's diet and its abnormally high rate of cardiovascular disease.

That report has been accepted by the Government, which is expected to announce moves to put into practice its recommendations on improved food labelling later this month. But Labour's document goes further, calling for a "thorough and coherent review" of policy throughout government departments.

Among its recommendations are:

- The Government should require food labelling to be more informative about methods of production and related to dietary goals.
- Health education should be improved through the expansion of the Health Education Council, through schools and local health authorities.
- A code of practice should be drawn up to make food advertising more informative and eliminate unsubstantiated claims.
- The Government should press for adjustments in the EEC's Common Agricultural Policy, which Labour says conflicts in many cases with the goal of better nutrition.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Anthony Bamford (left) and Gilbert Johnston: output per employee has risen from 9.7 machines in 1979 to 15.2 last year

Trevor Humphries

Single-mindedness pays off

Despite fierce competition J. C. Bamford has had its best year ever. Ian Rodger reports

WHEN Joe Bamford retired to tax exile in Switzerland in 1976, many people wondered whether his son, Anthony, then only 30, would bring the same flair to the famous family business, J. C. Bamford Excavators, that the founder had shown.

Soon, doubts were fed as the company made a few unsuccessful product launches and a couple of false starts in the U.S. market. In 1979, its main rival, J. I. Case of the U.S., decided JCB was vulnerable and started a price war in an attempt to further weaken the company. More recently, JCB has been under heavy attack from Japanese excavator makers.

But the attacks have been to no avail. To the surprise of many, JCB has steadily increased its world market share. Moreover, it now has a firm foothold in the U.S. market and is no longer totally dependent on one product, its well known backhoe loader.

It is also one of the very few construction equipment companies in the world that is profitable. (Case is not.) Sales reached a record £142m last year, compared with £43.8m in 1975, the year before Anthony took over. Pre-tax profits were a record £20m last year and the company is debt free with cash balances of over £20m.

The keys to this success story—highly unusual among heavy manufacturers in Britain—are fairly straightforward. Probably the most important is concentration of the business. The headquarters and most manufacturing are based at a single idyllic site deep in the Staffordshire countryside. "We are all here," Anthony Bamford says simply, which is another way of saying they are not caught up in the problems of Britain's deteriorating industrial areas.

Then there is the attention to detail, especially costs, and massive and continuous investment in new plant and equipment. This year alone, the company expects to spend about £16m, more than four times its depreciation charge, on new factory equipment.

JCB's latest thrust, which has seen its world market share in backhoe loaders rise from 11 to 17.5 per cent since 1979, really began when J. I. Case, the world leader with a 30 per cent share, *started a major attack on the* company in its U.K. market base. JCB has over half the UK market and makes about 30 per cent of its sales of these machines there.

"They poached people from us, cut the price and told the market they were taking us out," Gilbert Johnston, JCB's chief executive recalls. JCB had no choice but to keep its prices in line with Case, but this became a damaging process, especially when, in early 1980, the pound soared to $2.40 and Britain went into a deep recession.

Also, the company's efforts to establish a base in the U.S. were not working, putting an additional burden on resources at this time. Johnston estimates JCB lost a total of £12m in the U.S. up to 1982 when things finally started to go right there. "We took a hell of a bath," he says. "If we had been a public company, we would have been under a lot of pressure."

In 1980, group profits slumped to only £300,000 but the company responded characteristically by launching a three-year £24m investment programme to update its products.

Anthony Bamford admitted at the time that he knew the company was risking everything, but there was no choice. In retrospect, Johnston says that the *crisis was the best thing that* ever happened to the company, forcing it to make better quality products at lower cost.

Today, JCB officials proudly compare their performance *statistics not* only with U.S. competitors but also with Japanese companies. For example, JCB's sales, profit and assets per employee are all greater than those of Komatsu, the leading Japanese construction equipment group.

Like many manufacturers, JCB has invested heavily in recent years in high technology machinery to improve productivity. *Ivor Lewis*, production director, estimates that well over half of the group's machining is now done on CNC machine tools. However, the striking element at JCB's main plant is the focus on materials *handling*.

For example, the company has installed a £1.5m conveyor system for *assembling* the engine and transmission and then carrying them to the final assembly line. It replaced four workers, the use of fork lift trucks, and speeded up the process. Other new systems have simplified the handling of parts during stress relieving, shot blasting and painting stages, as well as contributing to higher quality.

JCB's main contribution to manufacturing innovation to date has been in the use of robots for arc welding. It has *recently perfected robot* welding of seams in its metal fabrications and has three systems in operation with four more on order. Each of the systems, made by Cincinnati Milacron, costs £100,000 but replaces 12 workers.

The company has also not hesitated to invest in complex manufacturing projects when it felt it could make a better product than it could buy. The outstanding example to date is the transmission system for its vehicles. Until 1980, JCB bought *the entire drive train* for its products from outside *suppliers. But this locked it in* to a specific set of components.

It wanted to improve some of the components and concluded that the only way to do it was to make its own axles. Then it could buy in the *durable oil-immersed brakes it* wanted, a full synchromesh gear box and other improvements. It *invested £7m at a plant in* Wrexham to make the axles and is now spending another £6m to make its own gear boxes.

The result of all these and other improvements in the past few years has been a remarkable increase in productivity. Annual output per employee has risen from 9.7 machines in 1979 to 15.2 machines last year—output has risen even though the total workforce has *fallen* from 1,850 in 1980 to 1,285. Also, working capital has been cut substantially. Stocks of materials and work in progress have been cut from 80 days' supply in 1979 to 26 days' last year. The overall cost of purchased components, accounting for 60 per cent of total costs, has been held steady for the past two years.

This degree of improvement has been essential in the tough market climate of the past few years. The world market for backhoe loaders has fallen by 40 per cent since 1979 to 33,000 units. JCB has not raised its *list prices since* 1981 and discounting is still rife in most of *its markets*.

The company's product strategy has long been to concentrate on relatively small machines so that many of the same components can be used in different types of equipment. *The problem has been* finding new successful products so that the dependence on the backhoe loader is reduced. The company defines a successful product as one that sells at least 1,000 units a year (it makes about 6,000 backhoe loaders).

"We will try all sorts of products with our standard components," Anthony Bamford says. "If we make a mistake, it is *not a problem*." He cheerfully admits that the company failed with telescopic cranes and small dump trucks. But it scored a big win with a telescopic rough terrain fork lift truck, introduced in 1977 and now a world leader selling just over 1,000 units a year. And JCB is optimistic about its articulated *wheeled loaders*, now selling about 500 units a year.

The company's 360 degree hydraulic excavator line is still at the 500 unit level despite several years of effort, but Anthony Bamford regards it as a special case because it is the logical step up for many users of the backhoe loader.

Also, he has personally led the battle against the Japanese invasion of the British excavator market in the past four years, gathering evidence of dumping for a European Commission enquiry.

"The Japanese worry us a lot. You need a good home market if you are going to be successful in the world. Our competitors in the U.S. and Japan are *strong in their* markets and we have to survive here," Bamford says. "When they *started selling here at low* prices, we tried to source components in Japan but we couldn't get them at prices that would enable us to match them."

Companies representing 90 per cent of the European excavator industry have joined in the anti-dumping complaint. "We were free marketeers," Bamford adds with regret. "We feel people should buy our machines because they are good, not because they are British."

For the most part, that is happening. JCB's share of the U.S. backhoe loader market has risen from 2.6 per cent to 5.5 per cent in the past three years as the company has set up its own network of dealers. It was trying *to sell through* Caterpillar Tractor dealers but found they were not interested in selling small machines.

The U.S. is now JCB's most important export market, taking over 1,000 units last year, and yielding $1.5m in profits. "I think we have got it more right there than in the past," Bamford *says wryly. Then comes France*, where the company has raised its backhoe loader share from 20 to 26 per cent in the past four years, and West Germany where it has a 22 per cent share.

All this would seem like the worthy prelude to a stock exchange listing, a string of *acquisitions and drive* to become a major world power in the construction equipment *business, alongside* Komatsu and Caterpillar.

But JCB has been through all that. Joe Bamford used to say that JCB would one day be the Caterpillar of Europe and, at various times, he contemplated buying Aveling Barford, the dump truck maker, Poclain, the troubled French excavator *maker, and other competitors*. In 1970, he toyed with the idea of going public.

But *nothing came of* these and other gambits, and the brief, sad history of IBH, the West German construction equipment group, suggests that the company has been wise to stick to its roots.

Anthony Bamford says the group has no intention of going public and he seems unenthusiastic about acquisitions.

"There aren't too many people we can buy. And usually, you *find that if a company is for* sale, there is a reason. Our strength is product intensity, knowing our market and concentrating on it."

Book review

The gospel according to John Fenton

THE AUTHOR of this book, the dust jacket assures us, is the *Billy Graham of* selling. Mr Fenton gives us the old religion and no mistake, good sellers are the *lifeblood of* the nation. They are wolves not sheep, Positives not Negatives. They are blessed with the killer instinct.

Positives—the aforesaid lifeblood—are only 10 per cent of the population. They are thus outnumbered 10-to-one. Mr Fenton may be shaky on his arithmetic, but he can put over the old hoopla with the best of them, to the extent of having not one but two prefatory blurbs to his book—one from the Duke of Edinburgh and one *from Mrs Thatcher*.

Behind the pulpit-thumping and simple homespun wisdom, the tone *is* profoundly depressing. "Deep down," says Mr Fenton, "people love to be helpful." This is a weakness to be exploited. On the beach, approach a couple and ask them to mind your cigarettes while *you bathe. On re-emerging, take* advantage of their good nature to sell them a time-share.

Go round doors telling people you are doing market research on double glazing. Using their helpfulness to *establish* them as prospects, use the Jekyll and Hyde technique (Mr Fenton's term) to suggest that your colleague George could call to show them a video extolling the virtues of double glazing in general.

People who succumb to such techniques generally feel conned and *resentful after the event*. This is of no consequence to the wolf, who is already off, licking *his chops, to the next sheepfold*. But it may help to explain why so many unfilled vacancies at *Job Centres* tend to be in selling. People like Mr Fenton give selling a bad name.

It is also seriously questionable how far such one-off consumer techniques apply to industrial selling. For Mr Fenton, the same bag of tricks applies — lure an industrial contact with a fictitious new deal to obtain an interview, and so forth. Given that the customer is presented as a dehumanised *obstacle, to be overcome* by the killer instinct, justifying such deceptions later is a mere problem of technique.

In fact, real selling — an honourable as well as an essential discipline—has much to do with striking a *lasting* relationship with the customer; it requires an eye for human nature, and the knack of listening. On the evidence of his book, Mr Fenton possesses neither.

It would be wrong to present the book as wholly without substance. The chapters on organising the salesman's *day*, and how to present sales proposals, are of practical use, and there is a *welcome emphasis on* thorough training for the sales force. It is also true, as the book implies, that selling is as much a habit of mind as a technique. But not this habit.

How to sell against competition, by John Fenton. Heinemann, £15.

Tony Jackson

Business courses

Sales management, Hertfordshire. April 29-May 3. Fee: £385. Details from InTech Training Ltd, PO Box No 2, Welwyn Garden City, Herts AL8 7BX. Tel: 07073 20944.

Intellectual property, London. April 18-19. Fee: £414. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 404 4756. Telex: 896827.

SPIN sales manager training programme, Sheffield. April 15-19. Fee: £975 + VAT. Details from Huthwaite Research Group, "Rotherwood" The Green, Penistone, Sheffield S30 6BL. Tel: 0226 762581. Telex: 547897.

Introduction to management, Hertfordshire. April 29- May 3. Fee: £695. Details from the Registrar, Ashridge Management College, Berkhamsted, Hertfordshire HP4 1NS. Tel: 044284 3491 or 2311. Telex: 826434 ASHCOL G.

Business strategy and corporate culture, London. Aprill 11. Fee: £65 +VAT. Details from Industrial Evolution, 14 St Christopher Place, London W1M 5HB. Tel: 01-935 2604.

International finance, London. May 21-22. Fee: £210. Details from Nigel Meade, Department of Management Science, Imperial College, Exhibition Road, London SW7 2BX. Tel: 01-589 5111, ext 7123.

TECHNOLOGY

EDITED BY ALAN CANE

UNDERWATER VEHICLE DEVELOPMENTS FOR SEABED MINING

France digs deep into the ocean bed

BY MARK NEWHAM

FULL-SCALE ocean mining is still years away but analysts are *already forecasting a $20bn a year industry* when it does finally emerge in force.

Engineers and designers around the world are busy testing a multitude of devices designed to scoop up the riches in the form of valuable metallic nodules that litter the deep ocean floors.

While most countries engaged in this field are developing large-scale mechanical scoopers, suckers and dredgers operated through umbilical lines connecting them with the surface, France hopes to steal a march on the rest of the world with two totally autonomous remotely operated vehicles. The French have developed devices which can operate without any form of physical link with the mother ship floating thousands of *metres above them on the surface.*

Work on ocean mining technology has been over-lorded by the French ocean mining consortium *AFERNOD in conjunction* with the national centre for ocean exploitation (Centre National d'Exploitation des Oceans — CNEXO).

It was CNEXO which unveiled the Epaulard device in 1982 — a free-swimming, autonomous, unmanned submersible capable of working down to 6,000 metres to map and photograph seabed *conditions. This device,* CNEXO claimed, was the world's first totally autonomous, non-*tethered*, unmanned submersible. Before Epaulard, all unmanned submersibles had to be operated through umbilicals linking it with the mother ship — *links which severely limited* the depth to which submersibles could go and restricted their manoeuvreability in cramped conditions.

Work on the device started in 1976 but it was until 1979 that the first full-scale prototype *underwent sea trials after* three years' work. It has now completed over 100 operational dives for AFERNOD collecting data about deep seabed conditions and nodule reserves on the floors of the world's oceans, mainly the Atlantic and Pacific. Armed with this information, AFERNOD will be in a strong position to capitalise on its investment when the oceans are opened up to commercial nodule mining.

Epaulard is a four metre-long fished-shaped vehicle weighing 2.9 tonnes out of water. It carries lights and cameras capable of taking up to 6,000 *pictures during any single dive.* The complete device is powered by lead-acid batteries which give the machine up to six hours of autonomous operation.

The vehicle's designers are in the process of uprating the system by incorporating silver-*zinc batteries as the power* source, a costly addition, but one which will double the craft's energy storage capacity allowing it greater range. The craft will also carry television transmission equipment to send pictures of its progress direct to the surface.

The greatest advance in the Epaulard system — and one which the system's designers are keeping secret for the time being for fear of imitations—is the subsea positioning system used to guide Epaulard to specific areas on the seabed with an accuracy of about 30 metres at 6,000 metres depth. It is *based on acoustic signals* transmitted from a microprocessor on the mother ship, the acoustic cycle being 10 seconds at 3,000 metres deep, and the system was developed in-house at CNEXO in conjunction with electronic specialists of the Toulon-based *company ECA.*

Few companies have found a reliable alternative for the cumbersome umbilical-linked remotely operated vehicles now in use in the oil exploration-dominated subsea engineering business. CNEXO does not envisage Epaulard being leased to oil companies at present. Its excessive cost precludes even oil companies from using it in their relatively shallow water operations. Epaulard is being kept exclusively, for the present, for the deep sea nodule mining industry.

When the industry takes off even Epaulard will not carry *out all the tasks required of a* submersible in nodule mining. It needs a partner system capable of gathering the nodules identified by Epaulard.

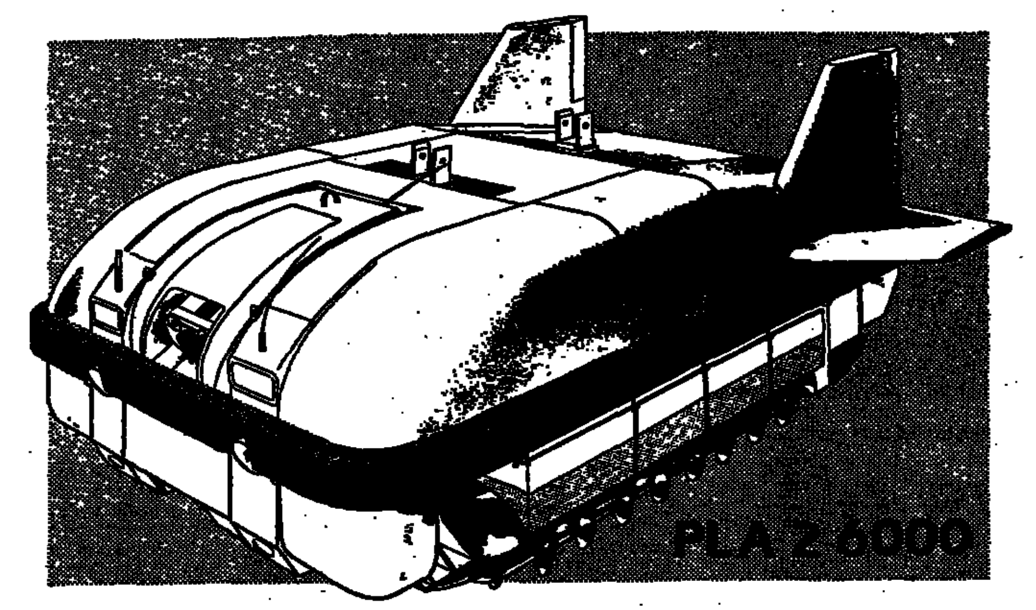
Once again, the French are outstripping other developments in this field with another autonomous submersible designed to operate in fleets to collect and ferry nodules to the surface. The PLA2 is designed and developed at a branch of the French atomic energy commission (Commissariat a l'Energie Atomique). It is a subsea robot which can be pre-programed to dive to pre-determined areas on the *seabed down to 6,000 metres to* scoop up nodules and return them to the mother ship.

Once on the seabed, PLA2—5.5 metres long and weighing 16,000 kg including ballast — works its way over the nodule area by means of two archimedes screws fitted to its base or by caterpillar tracks. The screws channel the nodules into a storage tank and, when full, the vehicle returns to the surface.

The vehicle has an autonomy of 20 to 30 minutes on the seabed which allows it to cover distances up to 600 metres travelling at the maximum speed *of 0.5 metres per second.* Power is provided by 60 gelified electrolyte batteries specially developed by the design team for the project. The batteries have a capacity of 6 kWh. In shallow waters, a power umbilical can be attacked to link it with generators on the mother ship giving the vehicle almost unlimited range.

Before PLA2 begins its autonomous underwater mission, its microprocessor memory is programed to follow a set path over the seabed. Its progress is monitored at the surface through an acoustic positioning system using a subsea *receiver/transmitter* beacon mounted on the vehicle.

If PLA2 proves reliable, its partnership with Epaulard should prove invaluable in France's dream to dominate ocean mining.



BIOTECHNOLOGY

Era of the bug

THE 1980s are the era of biotechnology, *reflected* in a worldwide increase in biological research, the formation of new companies and large investments by nations, companies and individuals.

But it is difficult to estimate how big the boom will be and how quickly it will end: "It is probable that if the present recession had not occurred, biotechnology would not be receiving the attention from industry, government and the media that *it is now.*"

These conclusions appear in the introduction to the 1985 **Biotechnology Directory**, edited by Dr James Coombs.

It points out that three factors which by chance came together at the same time generated new interest in biotechnology. First, a remarkable increase in knowledge of the genetic code and the ability to transfer genetic material from one organism to another (genetic engineering).

Second, the realisation that resources are finite and that recycling and avoidance of waste will become essential.

Third, the recession with the chemical and engineering industries depressed as a result of increased energy prices: "In the extreme case, biotechnology is seen as a means of restimulating the economy whether on a local, regional, national or even global basis, using new methods and new raw materials."

The *Directory* has become a Bible for those working in this exciting area; it includes profiles of all the major nations engaged in biotechnology research in western Europe, North America, Brazil, Australia and Japan.

For each country, all the *major biotechnology companies* are listed and there is a wealth of information about the non-commercial sector — the societies, learned journals and magazines — as well as a buyer's guide to products, research and services.

It costs £65 from Globe Book Services (Macmillan) on 0256 29242.

ALAN CANE

FAILSAFE COMPUTING

Disaster recovery

A NEW £6m computer disaster recovery centre for IBM users has been opened at a secret location in London. For an annual subscription fee of between £20,000-£200,000, a company suffering computer failure can switch its entire operations to the disaster centre, which is fully equipped with IBM-hardware, a telephone system and 3,000 sq ft of office area.

The disaster centre is operated by Failsafe, a joint venture between Istel and Atlantic Computers.

Istel, formerly British Leyland computer services, realised that there was a need for such a centre, *when it was looking* to back up its own computer centre in Redditch. Istel already had substantial links with Atlantic Computers (which supplied much of the IBM-processor-based equipment at the Redditch plant), and the company therefore seemed the ideal choice of partner. Atlantic Computers provides the hardware resources for Failsafe, whilst Istel supplies the operations staff, software programmers and telecommunications experts, plus the sales and marketing teams.

Information

Library computer

THE National Library of Wales is using a computer system to provide an on-line network for the input, search and output of information in both the Welsh and English language.

The equivalent of 12 man years has been spent on the development of the library system which will eventually contain information on 2m printed works in the National Library of Wales. The computer was supplied by Microdata, part of the McDonnell Douglas Information Systems group of companies.

Design

Thermal analysis

THERMAL DESIGN problems in engineering can be solved quickly and cheaply on desk-top computers using software called Theta introduced by Engineering Computer Services of Lichfield.

Developed in conjunction with the Rutherford Appleton Laboratories, Theta has already been used successfully in the development of electronic packages for aerospace. More on 05432 58751.

Benefits of the video salesman

Video & Film

BY JOHN CHITTOCK

THE estate agency business *may never seem quite the same* again when technology—about to be introduced in Britain—appears in high street shop windows. As with most good ideas, the system is based on available equipment but brought together in an interesting package made possible by the development of one innovatory device.

The development is a touch keypad, referred to in this column last year and now the catalyst in a whole range of interesting applications for audio-visual media. The keypad, much like any TV remote controller but larger, operates by capacitance changes whenever touched—as in the familiar touch sensitive buttons in lifts. What is different about it is that it will operate through plate *glass up to 20mm thick*, so that it can be mounted inside shop windows.

A British display equipment company, Cannon Davis, is about to launch a point-of-sale system based on the keypad—with estate agents as an initial market. The window-mounted *keypad can be made to control* any kind of audio-visual display, and is already being used with interactive video discs. Associated with the system can be a *text generator with a memory* provided by either a 32k microchip—offering say, 100 "pages" of 30 words each—or a microcomputer with substantially greater capacity. A simple alpha-numeric keyboard allows the shopkeeper or estate agent to change or update the text whenever necessary.

In its most obvious application, linked to a video disc player, the text display can be superimposed on a TV screen *over pictures retrieved from the* video disc. The window-mounted keypad allows passers-by to control the equipment, merely by touching the glass over appropriate keys chosen from an index on the TV screen or in the window.

The estate agency application employs, however, a novel twist. Out goes the video disc player and in comes a new version of the Kodak Carousel slide projector. This model (S-RA2500) provides random access to any of the 80 slides loaded in the carousel.

In the estate agency application, Cannon Davis will offer a complete display unit with TV monitor (for text displays), keyboard for "writing" the text, touch keypad and videotex generator (with 32k chip or micro computer). A separate back-projection screen with the Kodak Carousel provides the pictures.

In use, the estate agent will be able to take pictures of property (using, for example, the new Kodak instant slide film) and type in on the keyboard associated text for display on the TV screen. The passer-by is given the opportunity, via the text display, to select on the keypad numbers representing specific types of property—which the slide projector will then display on the screen. If the viewers' *interest* is serious, the keypad can also be used to record (on micro disc) a 'phone number on which the agent can call back a potential buyer—thus allowing the system to work round the clock, outside office hours.

Other innovatory ideas incorporated in the system can include a polarizing filter over either screen—its angle of polarisation set to minimise daylight reflection when viewed at pedestrian height.

The next step for estate agents will be to use the new combined video camera-recorder to offer customers a moving picture survey of more expensive houses—viewed on a VCR in their own homes. Ferguson recently reported to dealers that sales of their own branded Videostar version, using VHS-C cassettes, are out-stripping supply. In readiness for this boom, the clumsy name "camcorder" is by common consent *at a recent Ferguson* press gathering now publicly abandoned—and by further consent replaced with my own offering, CCR (for camera *cassette* recorder).

The CCR is going to have a significant impact on commercial applications such as selling property, providing *the facility* of a moving picture notebook—complete with sound—that is extremely easy to use, even under domestic lighting conditions.

Some TV rental companies are likely to be offering, along with CCRs, audio-visual display equipment using the new touch keypad. Cannon David is in discussion with the major chains, who need such products to jack up the falling rental *market* in VCRs and colour receivers.

Another display device Cannon is developing is a street kiosk containing touch keypad plus video disc players, monitors and text generators. These will be sited strategically to provide public information services *as well as local advertising*—even a second run for national TV commercials.

A similar idea can be seen already at work in 510 post *offices*, where another company —Realmheath—have provided TV consoles programmed by ordinary VCRs. Current programmes include both public information material and paid-for advertising spots.

Realmheath is the company that pioneered the point-of-sale *video disc console through* a project commissioned by Mothercare. There are now 83 Mothercare retail stores thus equipped and the scheme is now in its fourth year, providing customers with interactive access to product displays and retail staff with training programmes.

Good news for Thorn EMI is Realmheath's belief that in certain new installations VHD may be a better alternative to the Laserdisc currently used in Mothercare shops. Although VHD has some shortcomings, it is much cheaper to instal and is backed in UK by a nation-wide servicing network through Radio Rentals.

Interactive video is the catalyst in these public display systems, enhanced by the British-invented shop window keypad. With projects such as the estate agency service, the 35 mm slide could also experience a renaissance, ironic*ally* because of video technologies.

No hope, however, for the 8 mm film once favoured by the travelling salesman in portable, desk top projectors. Soon, the salesman of the future may have a CCR in his briefcase; not only to make video recordings in the field for market research, but even to show customers simple product movies through the TV viewfinder or o na mini-monitor. usto-§x-v: ETAOIN SHRDLU

INTERNATIONAL BUSINESS

Kenneth Gooding reports on the quest for profit from sports saloons

Alfa Romeo changes gear again

A NEW five-year plan has been agreed for Alfa Romeo, the state-owned Italian cars group, which will involve a change in strategy and a cut in the previously proposed investment programme.

The company will now aim to reduce its break-even output level to 200,000 cars a year compared with the earlier target of 220,000 and the current capacity of around 270,000.

The L2,000bn ($513m) investment programme for 1982-90 (of which about L500bn has so far been spent) is to be reduced to L1,200bn. Alfa also plans to retrench to its core business by disposing of its aviation, commercial vehicle, and other peripheral operations so as to concentrate on car production.

Alfa hope to break even in 1984 after suffering heavy losses every year since 1973, but instead incurred a further deficit of about L40bn against L26.5bn for 1983. The company's plans were blown off course by the extremely competitive conditions in Western European markets which cut profit margins on all cars.

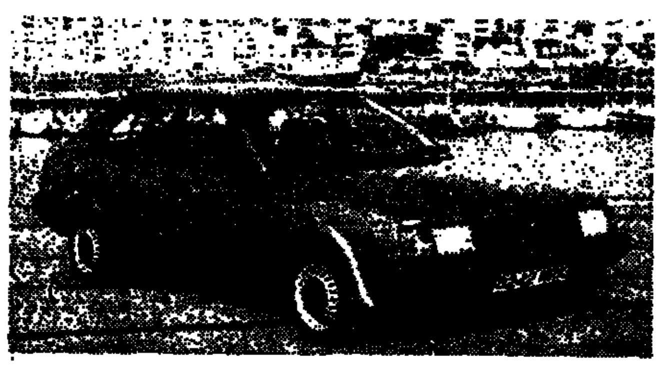
The company says that its southern plant, at Pomigliano, near Naples, broke even last year with an output of 100,000 Alfa 33 models and 25,000 Arnas. The northern plant at Arese, near Milan, was in the throes of a major reorganisation for the introduction of two important new models. Its output was about 80,000 cars and it made a loss.

To bring down its break-even output level, Alfa will continue to reduce its workforce, which stood at 38,000 in 1979 and had been reduced to 24,000 by the end of last year.

The company hopes that, following the June elections, the Italian government will agree to a scheme for manufacturing industry which will allow early retirement for people over 50 years. Alfa could cut another 3,500 jobs by taking advantage of such a scheme.

Alfa expect to maintain profit margins by offering customers "more car per car" models with above-average levels of equipment and performance.

It aims to recapture its image as a manufacturer of sporty saloon cars. All its cars will be designed and developed for sporty performance so as to set them apart from other manufacturers' sporty saloons which mainly are "souped-up" versions of standard production models.



The Alfa Romeo Arna—output to be restricted

The financial pressures on Alfa are easing now that it is coming to the end of a "crash" programme to replace its entire car range. The process began with the introduction of the Alfa 33 in June 1983 and will finish with the launch of the Alfa 75 (previously codenamed K1) this month.

Still to come is Alfa's version of the joint project car developed by Fiat, its up-market subsidiary Lancia, and Saab of Sweden from which the Lancia Thema and Saab 9000 have already emerged. Alfa will call its version the 164, but the money for that model has mostly been spent and the company is already producing components for the Fiat group.

Output of the 164 or the other joint project model, the Arna, produced in co-operation with Nissan of Japan, will not be counted in the 200,000 break-even output total.

Production of the Arna was due to rise to 60,000 a year but Alfa has found it impossible to sell the vehicle profitably in markets such as West Germany, Belgium and Holland where it expected to make money despite the tight margins on cars. Nissan, too, tried to price its version of the Arna below its Japanese-built products and found the model unprofitable.

Consequently, output will be restricted to 25,000 a year of which at least 21,000 will be sold in Italy where the Arna is a success and has good margins, possibly because sales of imported Japanese cars in Italy are restricted to only 2,500 a year by a formal, government-to-government agreement.

The Arna will be given a major "facelift" in a year or so but this will require minimum investment even though the car will be given its own distinctive shape, whereas currently it simply uses the same body-shell as the Nissan Cherry.

Looking towards the 1990s, Alfa hopes for further cost savings by basing its complete car range on one common "platform" instead of three as originally planned. Much of the high-technology equipment installed to produce the current models is very flexible and will be capable of being used for another generation of cars without significant extra expenditure.

Alfa will also rationalise and re-organise production at its two plants, which at present produce their own "families" of cars, so as to make the most of what economies of scale are available to a relatively small-volume producer.

The company will continue engine production but with one "family" of four and six-cylinder units built on a modular basis. The modular approach — ensuring many shared components—will also be employed for front-wheel-drive transmissions (Alfa will concentrate on front-wheel and four-wheel-drive sports saloons).

One of the shorter-term unknown quantities concerns the U.S. market, which has the potential to develop very profitably for Alfa. The company's car sales in the U.S. amounted to only 1,200 in 1981 though they were up to 3,700 last year.

The new Alfa 75, shortly to be launched, was designed with the American market in mind and the company will begin a serious push for the model in the U.S. in 1986. That could possibly lift sales in the U.S. to 10,000 a year.

Alfa is hoping to achieve reasonable financial results as early as 1986 because the management team would dearly like to be in a position to persuade the Italian Government to return the company to the private sector through a sale of shares similar to BL's disposal of Jaguar in Britain.

The managment believes this would be good for Alfa's image —it would no longer be seen as a state-supported lame duck— as well as for the finances of the publicly-owned Instituto per la Ricostruzione Industriale (IRI) whose engineering arm, Finmeccanica, controls Alfa.

MEXICAN DEBT

Exemption for Cydsa from tax on interest

BY DAVID GARDNER IN MEXICO CITY

CELULOSA Y DERIVADOS (Cydsa), Mexico's largest private petrochemicals group, has gained exemption from the controversial withholding tax the Government levies on the interest companies pay their foreign bankers.

As part of a restructuring deal agreed with its bankers in New York last weekend, Cydsa will convert $450m of foreign debt into floating rate notes, thereby exempting itself from the 15 per cent tax.

In February last year, Valores Industriales (Visa), Mexico's second largest private holding company after Alfa (and, like both Alfa and Cydsa, part of the Monterrey Group owned by the different branches of the Garza Sada dynasty) also won exemption from the tax. Visa converted over $1bn in foreign debt into floating rate notes.

The conversion formula was designed as a way of discreetly getting round the tax without taking the politically sensitive step of abolishing it. At a time when Mexican workers have taken a 32 per cent cut in real wages, and with a series of difficult elections coming up in mid-year, Mexico's ruling Institutional Revolutionary Party cannot be seen to be giving special privileges to the private sector.

Bank objections

Foreign bankers welcomed the formula, which, along with a Bank of Mexico-designed exchange risk scheme, considerably strengthened the finances of dollar indebted companies. But several of Mexico's creditors baulked when early this year the Government exempted Conasupo, the state-owned food production and distribution company from the tax.

The banks' objections were based on fine calculations. Mexican companies give their creditors withholding tax certificates which the banks can then deduct against their own taxes. In the case of Visa or Cydsa the loss of these certificates is more than offset by the conversion to FRNs and the improved payment prospects of the company after exemption.

Special case

In Conasupo's case, however, which was a straightforward exemption rather than a conversion, there were no real offsets and the banks feared a precedent was being set. Conasupo—second in size only to Pemex, the state oil monopoly—is believed to owe some $1.5bn abroad. But Pemex, for example, owes over £16.5bn and public sector companies as a whole over $20bn abroad. Were any of these companies also to get exemptions, the banks would lose potentially large sums by not receiving the withholding tax certificates.

The Mexican financial authorities are still in the process of settling the final details of the $48.5bn multi-year rescheduling of public sector debt agreement which is expected to be signed at the end of this month and have, therefore, moved quickly to reassure the country's creditors that Conasupo's exemption was a special case.

What is not yet clear, however, is whether the Cydsa restructuring is also a special case, since even before last year's Visa deal, the Mexican Treasury had drafted legislation to close the FRN conversion loophole in the withholding tax law.

Company Notices

Sumitomo Trust & Banking Co., Ltd.

U.S. $20,000,000

Floating Rate U.S. Dollar Negotiable Certificates of Deposit

Due 16th April, 1986

Callable at the issuer's option on 16th April, 1985

In accordance with the terms set out in the Certificates. The Sumitomo Trust & Banking Co., Ltd. have elected to exercise their call option. The Certificates will therefore mature on the 16th April, 1985 and payment will be effected on the principal amount plus interest at 11⅝% p.a. at The Sumitomo Trust & Banking Co., Ltd., London.

Samuel Montagu & Co. Limited
Agent Bank

6 March 1985

REPUBLIC OF SOUTH AFRICA

LOAN OF ECU 25,000,000

8% 1971 86

The Ecu 3,000,000 redemption instalment due April 1, 1985 has been effected by a draw by lot on February 13, 1985 in the presence of a notary public.

Numbers of the Bonds Drawn: 17807 to 23730 inclusive when taking previous instalments into account. Bonds drawn will cease to bear interest on April 1, 1985.

Bonds presented for repayment must have their coupons as at April 1, 1986 and subsequent attached and will be paid in accordance with the conditions shown on the bonds.

Outstanding amount after April 1st, 1985: Ecu 3,000,000.

Previous Drawings:

01.04.81 Nos. 5545—6366 67
01.04.83 Nos. 1 2896—24825 25000
01.04.84 Nos. 7642—17806

The Fiscal Agent:
BANQUE PARIBAS (LUXEMBOURG) S.A.

CREDIT FONCIER DE FRANCE

ECU 50,000,000 TF 1983-1993

Bondholders are hereby informed that the rate applicable for the ninth interest period has been fixed at 10½%.

Coupon No. 9 will be payable as from May 28, 1985 at the price of ECU 265.42 equivalent to an interest of 91 days, covering the period from February 26, 1985 to May 27, 1985 inclusive.

The Fiscal Agent
CREDIT LYONNAIS—LUXEMBOURG

Conferences

HARROGATE CONFERENCE CENTRE, North Yorks. For further details of the facilities offered tel: (0423) 68 1.

Contracts and Tenders

LEMBAGA LETRIK NEGARA TANAH MELAYU

National Electricity Board of the States of Malaya
Sungai Piah Hydroelectric Project

CONTRACT NO. 39535/4
GENERATING PLANT AND ASSOCIATED ELECTRICAL AND MECHANICAL EQUIPMENT

Applications are invited from Manufacturers for registration as Tenderers *for the above named Contract.*

(A) This Contract comprises the design, supply, delivery, erection and commissioning of the following equipment for two power stations:—

1. **Upper Power Station (surface type)**
   - .1 Two (2) Pelton type horizontal axis, twin jet, single wheel hydraulic turbines each rated at 7460 kW under 253.6 metres net head at 375 rpm and complete with governor system.
   - .2 One (1) high pressure steel manifold complete with branches *to turbine inlets.*
   - .3 Two (2) horizontal axis hydroelectric generator units (synchronous indoor type) each rated at 8.9 MVA C.M.R., 11.0 kV, 50 Hz, 0.85 p.f. at 375 rpm operation complete with static excitation system, control metering, protective relaying and fire protection.
   - .4 One (1) electric overhead travel powerhouse crane (span approximately 16 metres) with single trolley. Main hook rating *is approximately 40 metric tonnes and auxiliary hook rating* is 5 metric tonnes.
   - .5 Two (2) spherical type inlet valves each of 800 mm nominal bore with water hydraulic operators.
   - .6 Power station ancillary electrical equipment.
2. **Lower Power Station (underground type)**
   - .1 Two (2) Pelton type vertical axis four jet single wheel hydraulic turbines each rated at 28,100 kW under 397.9 metres *net head at 428.6 rpm and complete with governor system.*
   - .2 One (1) high pressure steel manifold complete with branches to turbine inlets.
   - .3 Two (2) vertical axis hydroelectric generator units (synchronous indoor type) each rated at 34 MVA, C.M.R., 11.0 kV, 50 hz, 0.85 p.f. at 428.6 rpm complete with static excitation system, control metering, protective relaying and fire protection.
   - .4 One (1) electric overhead *travel powerhouse crane (span* approximately 16 metres) with single trolley. Main hook rating is approximately 75 metric tonnes and auxiliary hook rating is 5 metric tonnes.
   - .5 Two (2) spherical type inlet valves each of 1200 mm nominal bore with water hydraulic operators.
   - .6 One (1) single hook electric overhead travel crane (span approximately 5 metres) located in valve chamber. Hook rating is approximately 25 metric tonnes.
   - .7 Power station ancillary electrical equipment.

(B) Applicants shall be manufacturers or consortia of manufacturers of the items *described* and *should* have had previous experience on the design, manufacture, erection and commissioning of equipment having the characteristics described.

(C) Full details of manufacturers' experience and technical and financial competence must be forwarded with their application not later than the date listed for the receipt of applications to:—

Chief Engineer (Hydro Projects)
Lembaga Letrik Negara Tanah Melayu
Hydro Electric Division
129, Jalan Bangsar
P.O. Box 11003
Kuala Lumpur
Malaysia

accompanied by a registration and document fee of M$500 (Malaysian Ringgit Five Hundred) international bank draft or money order drawn payable to LEMBAGA LETRIK NEGARA TANAH MELAYU; which shall be refunded only to applicants not accepted for registration.

A *copy* of the application and submittals shall also be sent to:—

Project Manager
Sungai Piah Hydroelectric Project
Shawinigan Engineering Company Limited
620, Dorchester Boulevard West
Montreal, Quebec, Canada H3B 1N8
Telex No. 055-60845
Cable Address: SHENCO, Montreal

Tender documents will be issued by:

Project Manager
Shawinigan Engineering Company Limited

(D) Tenderers are advised that those who show evidence of intention and interest to counterpurchase Malaysian goods and commodities directly from Malaysian companies in Malaysia will be given preference in awarding of this tender. However, LEMBAGA LETRIK NEGARA TANAH MELAYU is not bound to award the tender based only on the counterpurchase intention and interest.

(E) LEMBAGA LETRIK NEGARA TANAH MELAYU is not liable for costs incurred by applicants in preparing applications nor will it be liable for any costs incurred in the preparation of tenders.

(F) LEMBAGA LETRIK NEGARA TANAH MELAYU is not bound to accept any application or to accept the lowest or any tender.

(G) Tenders shall be delivered at the head office of LEMBAGA LETRIK NEGARA TANAH MELAYU, 129 Jalan Bangsar, Kuala Lumpur, Malaysia. The exact date and place for submission of tenders will be specified in the tender documents.

Last Date for Receipt of Application: May 2, 1985
Tender Document Issue: about September 1, 1985
Tender Due: about December 1, 1985

SPANISH COMMERCE

Tom Burns reports on the expropriation and reprivatisation of a sherry empire

Spanish socialists keep their promise on Rumasa

IN RUMASA'S end is its beginnigs. Almost all that remains of the conglomerate that Sr Jose Maria Ruiz Mateos built up into Spain's largest non-utility private holding is the sherry business with which the errant tycoon started back in 1958. The socialist administration that expropriated Ruiz Mateos Sociedad Anonima (Rumasa) in February 1983 has, over the past two years, stripped the holding down to the bone selling its banks, hotels, real estate, department stores and other *assorted assets* back to the private sector.

The expropriation and the subsequent reprivatisation of Rumasa has been a carefully stage-managed saga that will undoubtedly stand as a major point of reference when examining the record of Prime Minister Felipe Gonzalez's first two years in government. The double *move has paid high* political dividends and provoked a complex economic fallout that has neither been fully assessed yet nor, much less, digested.

Not least among the paradoxes *in all the Rumasa affairs* is that a socialist government has been doling out the plums to the highest bidder with a zeal not seen in Spain since liberals and free traders last century got their hands on monastic properties. Nationalisation has been a dirty word throughout the saga. To add insult to injury, public money has been pumped *into the holding* to make the sale to the private sector palatable.

According to Sr Javier del Moral, the chairman of the Patrimonio del Estado, the Finance Ministry agency that has managed Rumasa since its expropriation, the holding will be totally wound up before the summer. By then the sherry companies will *have been sold* along with the remaining assets and all that will be left will be Rumasa's data centre, a building packed with computors sited in a low-income dormitory suburb on the western outskirts of Madrid.

Despite the compulsive reprivatisation policy, Sr del Moral and the government intend to hang on to the sophisticated data centre. The Finance Ministry has decided that it will be useful for processing value added tax when it is introduced as Spain makes its hoped-for accession to the European Community. Primed to pulling in Vat returns, the former Rumasa computors might help to recoup the Pta 460bn ($2.5bn) that Sr del Moral estimates it has cost the Spanish Exchequer to manage, refloat and resell the holding.

The political *pay off* is like having one's cake and eating it. The socialist government was able to show its radicalism by not hesitating to expropriate and then its moderation by *choosing to reprivatise. In the* process Spanish business received the fright of its life and the scare was altogether salutory. The state takeover of Rumasa marked a watershed: business up and down the country learnt that books had to be kept in order.

Sr Ruiz Mateos, the founder, chairman and chief shareholder of Rumas—he held 50 per cent of the stock and his four brothers and one sister held 10 per cent apiece—was expropriated because his empire was on the verge of collapse. *The government ordered the* unprecedented move after a head-on collision between Finance Minister Miguel Boyer, who demanded a consolidated audit of accounts for the whole conglomerate, and a vacillating Sr Ruiz Mateos, who refused a negotiated intervention of his banking division.

There was a straight economic *justification* for the expropriation. The government said it acted to contain the damage caused by the mismanagement by Sr Ruiz Mateos to protect jobs, bank deposits and the shareholders of companies in which Rumasa had a stake. Within nine months of the move, accounting firm Arthur Andersen, which had acted as *co-ordinator for 16 firms going* through the books of the different branches of Rumasa, produced a consolidated audit of the group for the government. This showed a negative net worth of Pta 257bn.

Investigations into Rumasa also unearthed the biggest capital evasion scheme undertaken in Spain. To escape the increasing vigilance of the Epanish authorities Sr Ruiz Mateos had in the two years prior to the expropriation set up a network of assets outside Spain, known as Rumasa "B." Investigators found major violations of currency regulations as deposits from Rumasa banks were channelled aboard to shell companies in Panama, Liechtenstein and elsewhere, to numbered accounts in Switzerland and to offshore holdings that were outside the formal structure of the group.

Sr Ruiz Mateos, who left Spain secretly after the expropriation, is currently in West Germany awaiting a hearing of an extradition request brought by the Madrid authorities. He has been charged with fraud, tax evasion and breaking currency regulations. A team of lawyers acting on his behalf in Madrid *has meanwhile successfully* applied to the Constitutional Tribunal, Spain's supreme court *of appeal, for a reconsideration* of a December 1983 ruling by the tribunal which narrowly judged the expropriation to have been legal.

Sr Jose Maria Ruiz-Mateos (left), the founder of Rumasa, and Sr Miguel Boyer, Spain's Finance Minister

Politically the expropriation move was popular with the electorate. It showed Sr Gonzalez and his young incoming socialist government to be decisive and determined not to be cowed even by the most spectacular tycoon in the country. There was no doubt about who was in charge.

The more lasting message was the government's moderation. It told the business and banking community, who knew very well that Rumasa was floundering, that it intended to reprivatise and it has kept its promise. If there were any suspicions about nationalisation policies, secretly harboured by the Prime Minister and his cabinet, the reprivatisation killed them stone dead.

Sr del Moral, put in charge of reselling Rumasa, first set about cutting the group down to its real size. The conglomerate was supposed to be a network of all of 775 companies. Sr del Moral found that 350 were virtually non-existent and solely figured as companies on the commercial register. These he wound up.

A further 150 companies had only a small Rumasa participation, and in some cases none at *all, and these* were taken out of the conglomerate and left with their real owners. To all intents and purposes Rumasa consisted of 245 companies of which 195 have been sold and 50 are still for sale. Aside from the sherry concerns, the 50 left include real estate and agribusiness companies and the group's construction company Hispana Alemana.

The salient themes of what has, in practice, been the sale *of the century, have been the* restructuring of the specific sectors in which Rumasa was present, with the emergence of potential new market leaders, and the penetration of foreign capital into Spain. Sr del Moral has been managing a most enticing hypermarket for those willing and able to spend heavily.

A new name, Sr Marcos Eguizabal, has thus emerged in the Rioja wines sector. Sr Eguizabal, previously unknown as a Rioja table wine producer and seller, at the beginning of this year bought the Federico Paternina label, having previously acquired two other Rumasa Rioja interests, LAN and Bodegas Franco Espanolas.

The acqiusition of Federico Paternina, a well-established brand name, was in the pattern of most sales during the reprivatisation process. The wholly Rumasa owned company was sold for Pta 90m and *the purchaser* took on accumulated losses of Pta 2.4bn as well as a bank debt of Pta 906m over five years at an 8 per cent interest. Sr del Moral was understandably delighted at the sale.

Thanks to the expropriation/reprivatisation saga the Mallorca-based hotel chain Sol (*Hoteles Mallorquines Agrupados*) has emerged as far and away the dominant group in the Spanish holiday business.

A feature of the Hotasa purchase was that Sol acquired it through a consortium with the Kuwait Investment Office (KIO) in which the Spanish company holds a 70 per cent share. The immediate precedent for the Kuwaiti stake, which was *negotiated* by the Spanish-Arab bank Aresbank, was the sale of Rumasa's Banco Atlantico to a consortium formed by the Arab Banking Corporation (ABC) (70 per cent), the semi-state Spanish bank, Banco Exterior (25 per cent) and Aresbank itself (5 per cent).

The so-called "big seven" Spanish banks never expected Atlantico to go "foreign" and one of their clique, Banco de Bilbao, the fourth largest Spanish bank in deposit terms, confidently expected to buy it. When the sealed bids were in, the government smoothly explained that Atlantico was going to the ABC lead consortium, which ha dpresented the best offer with an investment of over Pta 13bn.

By selling Atlantico to a majority non-Spanish group the Government was able to bull*doze the Spanish banks into* parcelling up among themselves the small, loss-ridden Rumasa banks that were critically exposed to the Rumasa companies. It was sufficient to put the word out among the Spanish bankers that there was a keen *foreign interest* in entering the retail business.

The package sale of 17 *Rumasa banks to a pool of 12* Spanish commercial banks last summer highlighted the major funding that has been necessary to offset the accumulated losses of the expropriated holding. It also underlined that the cost of the operation will be felt for the foreseeable future both by the banks and by the Government itself.

The crux of the sale was that the purchaser banks were obliged to subscribe a Pta 440bn special Rumasa bond issued by the government at a negative *spread*. The bonds, for 12 years, will carry a 9.5 per cent interest and were transferred directly to the Rumasa banks.

In addition to Banco Atlantico the most publicised foreign capital penetration, as a result of the expropriation, was the sale just before Christmas of the group's high street department store chain, Galerias Pre*ciados. This* was bought by the Venezuelan holding Diego Cisneros. As in the case of the group's premier bank, the reprivatisation of the stores presented a perfect opportunity for the establishment of a retail base in Europe. The new Cisneros management at Galerias Preciados talks in terms of a European bridgehead for the *multi-interest* Venezuelan concern.

There have been other instances of non-Spanish purchases of Rumasa assets, notably the acquisition of the group's prestigious supermarket chain, Mantequerias Leonesas, by a West German co-operative that is closely linked to the Social Democrat Party. But Sr del *Moral rejects the suggestion* that foreign concerns were given the edge in the Rumasa sale.

But Sr del Moral admits that the foreign penetration that has evidently resulted from the reprivatisation simply reflects what has been the trend in Spanish business for the past decade. Put simply between 1940 and 1955 Spanish business was run by the state, from 1955-75 it was run by the Spanish banks and from 1975 onwards non-Spanish capital took on the torch.

In this sense the sale of Rumasa assets has underlined the stagnation of Spanish business, fearful of investing domestically, and the extreme *caution of Spanish banks the* prime concern of which is to slim their portfolios, preferably by selling to foreigners. Rumasa belongs to an earlier age of Spanish optimism in national growth.

Now that the once spectacular holding is virtually back to its sherry vineyard beginnings there is a chance for a degree of perspective. The whole saga has meant a strengthened government but a more impoverished exchequer and a less Spanish economy.

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That way you're using rail for what rail's good at (the long straight bits) and road for what road's good at (the short fiddly bits).

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If it rains we don't slow down. If it freezes we don't skid. If it snows we plough right on through it. Most years, anyway.

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THE ARTS

Capuleti/Covent Garden

Rodney Milnes

The Royal Opera might have been tempting fate in reviving Bellini's *Romeo and Juliet* opera, last season's surprise success, so soon: lightning, after all, seldom strikes twice in such quick succession. In the event, although boots and feet are distributed very differently from last time, the evening as a whole proved almost as successful, and in one or two respects a great deal more so.

Last time it was the conductor, Riccardo Muti, who revealed a score far more exciting than most of us suspected and, in so doing, distracted attention from Pier-Luigi Pizzi's safely routine production. This time it is Michael Schonwandt, making his conducting debut at the Garden, who provides the routine. The nervous energy generated by his predecessor, through the tense little accompaniment figures and careful shaping of Bellini's distinctly morbid lyricism, is almost entirely lacking, and so are the crystal clear orchestral textures: Mr Schonwandt conducts the music as though it were merely pretty (which much of it is), not as though it were dramatic. Sadly, too much of it once again sounds trivial.

But, vocally, all is gain this time round. Although Tatiana Troyanos apologised for a throat infection, its effects were noticeable only in patches of cloudy tone early on. Her mezzo is more evenly distributed than that of Agnes Baltsa, last season's Romeo: free at the top, powerful at the bottom (with discreet but effective use of chest register), and with no discernable join in between. She sings most musically and presents a proud, upright hero with an appropriately Byronic profile.

It is heart-warming to report that Katia Ricciarelli, after some unhappy evenings in London, was absolutely on top form as Juliet: indeed, I do not believe she has sung so well here before. Strain that has sometimes dogged the top of the voice was notable by its absence: her luscious tone expanded upwards to glorious effect. But this, of course, is precisely the sort of repertory she should be singing, rather than dotty roles like Aida. Her tone and that of Troyanos blended perfectly. Their exquisite singing in the finale coincided with the moment that Mr Schonwandt started belatedly to discover what the score could yield: the evening ended on a note of triumph.

Keith Lewis's easy, mellifluous Tybalt (the top ideally free and unchesty). Matthew Best's concerned Laurence and (a confident last-minute substitute) Richard Van Allan's implacable Capulet completed a fine cast. Vocally, an evening to remember.

Miriam Makeba/Festival Hall

Max Loppert

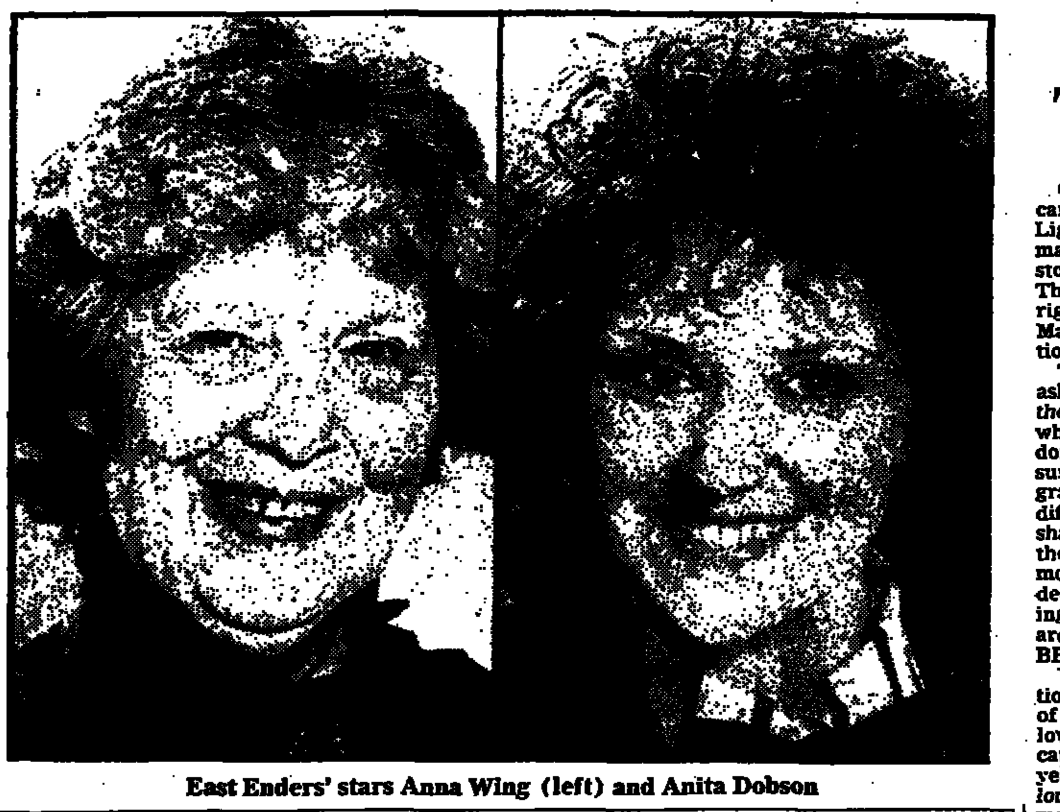
To anyone who grew up in South Africa at a certain time, the sound of Miriam Makeba's voice and the sight of her face draw a gut response as surely no other performer before the public can. Attendance at the Festival Hall on Monday night (which set off a week of GLC Arts in Danger events) was therefore obligatory — it was, after all, her first concert in London for at least a decade. But it was good, during one of the most joyous evenings in recent memory, to have a revelation of artistry of a kind that needs no similarity of audience background to appreciate its quality.

It's been a long time since those early appearances in dim Johannesburg night clubs, since *King Kong* and the Click Song swept her from local semi-obscurity to larger fame. Miss Makeba long ago took up residence elsewhere in Africa, and has become a performer of the most polished address and control representative of a broader African musical spectrum—the introductory appellation, fulsome but not unjustified, gave her to be "the African Empress of Song." At the start, one wondered whether a patina of international showbiz might have settled on her act; and for a short while the question remained unanswered, as song smoothly followed song, spoken introduction pattered deftly away, and the back-up work of her (excellent) six-man band (led by Al Sanders from Guadalupe) indicated international professionalism rather than specifically African musical accent.

But it was for a short while only. For Miss Makeba showed soon enough that beneath the surface poise she has retained intact her particular, and particularly South African vitality—her feeling for the despair-turned-into-joy of township dance rhythms, her tragic innocence one moment while delivering a barefoot lament or Hugh Masakela's "Soweto Blues," her hilarious wide-eyed mastery of suggestive nuance the next while outlining even for the linguistically uninitiated the overt sexual content of "Phata-phata" (a township celebration of some of the possibilities of Saturday night). The content of the songs and their introduction drew the attention inescapably toward the eternal national tragedy; yet it was not a concert of agit-prop.

For our pleasure Miss Makeba had also with her, as chorus, dance group, and soloists in their own right, a trio of extraordinarily multi-talented South African women under the group name of Shikusha.

The Click Song had to be heard, of course, and Miss Makeba made of its introduction a delicious moment of foolery. There isn't, there can't be, any fake pathos or nostalgia in her programme; points are made solely through the native gifts of one of the world's greatest living entertainers, and I was supremely grateful for the chance to watch and hear her and them in action once again.



East Enders' stars Anna Wing (left) and Anita Dobson

Docteur Faustus/Paris Opéra

Max Loppert

Towards the end of February the *Paris Opéra* gave the world première of *Docteur Fastus*, a first opera by the 42-year-old German-born, Dutch-based composer, Konrad Boehmer. It was the first winner, in 1983, of the Rolf Liebermann Prize (awarded by the Körper Foundation of Hamburg), and this Paris presentation was one of the rewards.

A creation at the Opéra is always an event (if recently less of an unfamiliar one than at either of London's houses). But my guess is that of *Docteur Faustus* will come to count for no more than a tiny footnote in the history of a great house. It seemed just one more of the dry, schematic "idea"-operas of the postwar period; just one more of those works whose intellectual and structual underpinnings may afford minute examination on paper, but in whose music there is only faint contact with the scent and heat of the theatre.

Boehmer, little known outside the Netherlands, is a product of the Cologne new music *ateliers*; for a brief time a Stockhausen adherent and, more recently, a "political" composer and critic. As the New Grove puts it: "As a journalist and critic he has been both a knowledgeable and logical analyst, and an aggressive and merciless pamphleteer," publishing "sharp attacks on Egk, Stockhausen, Kagel and others from a Communist-Marxist standpoint."

On a single encounter with the work, it seemed to me that most of the intellectual bite and stimulus implied in this description — and perhaps the reason for the Liebermann award—resided in the vivid and powerful libretto that Boehmer had made with the Belgian writer Hugo Claus (it was given here, naturally enough, in French translation). I must append a caution, however, for neither score nor libretto was to be had for advance perusal anywhere in Paris; and any judgment formed on the delivery of a cast whose three main singers were German, Hungarian, and English must inevitably be somewhat shaky.

The Boehmer-Claus *Faust* owes nothing to Marlowe or Mann, Berlioz, Schumann, Gounoud or Busoni, and shares only points of plot similarity with Goethe. The intention was to reconstruct the historical Faust, the alchemist and necromancer born at Wurttemberg around 1480; and, by means of this, to construct a new fantasy in which issues of relevance to our own day could be pointed up.

The title figure of *Docteur Faustus* dreams of transmuting his base material into a human being; with the aid of the monk Trithemius (the Mephistopheles figure, also based on an historical personage), he achieves the birth of a homunculus. In the second act the child has become a revolutionary agitator, invoking the cult of the Virgin Mary against the Church, and Trithemius has him destroyed. Faust, in despair, kills himself; and, in the final scene, Trithemius delivers an oration on his greatness — the dangerous anarchist and intellectual adventurers of the past is hereby rendered the safe, purified literary legend of the future.

It is a libretto pregnant with possibilities. The score makes very little of them. Its basic *modus operandi* is all-too-familiar post-Bergian, with voice parts in angular, wide-ranging movement from speech to song and orchestral textures violent, unforthcoming and grey. In Act 1, before achieving his creation, Faust is taken on a journey through time and space to four different historical eras. This opens the way for some pastiche (of Renaissance motets, punk-rock, Tibetan chants) to vary the range and mood; but, as each episode goes on too long, relief soon turned to weariness. Each act, indeed, is of quite unrealistic length, given the limitations of the musical language. At certain moments one felt a glimmering of theatrical animus, but it ebbed away quite soon afterwards.

The production, shared by the Netherlands Opera and due in Amsterdam later this year, is by Charles Hamilton; and in Tim Reed's brilliantly striking and adaptable basic set, a construct of spiral staircases is fronted by a huge, mobile, transparent skull. At this third performance in the run the actual stage management was wretchedly noisy, yet one could see how imaginatively producer and designer had sought and found openings for fluid, fast-moving spectacle. Janos Kulka conducted; Heinz-Jürgen Demitz (baritone, Faust), Josezf Dene (bass, trithemius), and Peter Jeffes (high tenor, homunculus) led a valiant cast in which particular sharp smaller impressions were left by Michel Sénéchal (what clear, pure French!) and Lucia Scappaticci. The Opera audience expressed impatience and disapproval in time-honoured Opera fashion.

Night, Mother/Hampstead Theatre

Michael Coveney

Here's one to cheer you up. A woman prepares to commit suicide in her mother's kitchen. The peculiar thing about Marsha Norman's Pulitzer Prize-winning drama (seen on Broadway two years ago) is that it challenges the idea of the privacy of suicide. Those of us who have not succeeded in the attempt, of course, cannot vouch for Ms Norman's accuracy. My only suspicion is that it would take Dostoyevsky himself to do justice to the theme.

Jessie Cates has arrived in a comfortable Middle American domestic interior, full of kitchen cupboards and floral cushions that evince a positive aroma of familial stability (design by Sue Plummer), to give her mother a manicure and herself a bullet in the head. As in the best Ibsen, the play is really over when it begins. But what has brought Jessie to this pretty pass?

Unlike Ibsen, Ms Norman settles for grisly titallating thriller tactics, eliciting the odd gallows guffaw whenever Jessie goes on about checking batteries for the radio, tidying up the garbage or leaving instructions for the laundry. Jessie has merely had it up to here, and to the fussing sister-in-law, the wants to give a big "get lost" husband who left her, the child (we never really know why him), her epileptic fits, the Red Chinese, optimism—"the way things are," no less.

Soonest gone, soonest mended is about the sum total of my emotional response to all this. The selfishness, the drama, the pain, the tragedy of suicide, none of this is touched on. From the minute Susan Wooldridge, washed out and hair in a pony-tail, starts listing details like the washer repair number you know she's a lost cause.

Marjorie Yates, one of my favourite actresses, looks mournfully on throughout all this and even delivers the best line on reflecting that her husband was no loss, especially on his deathbed: "It was his last chance not to talk to me and he took full advantage of it."

Michael Attenborough's production fails to supply a convincing American milieu and, after *The War at Home*, one begins to worry about his choice of new American drama. *An outing to Howard Johnson's* is surely not, as Miss Yates suggests without irony, a dream ticket; and the retreat to the fateful bedroom is preceded by a feebly inadequate show of maternal resistance. My only fear—and a real one—was that the gormless Jessie had missed and that we would have to return after an interval to hear why Ma was deciding, not unreasonably, to call it a day.

Television/Godfrey Hodgson

Taking aim at the snipers

Cannon to right of them, cannon to left of them: like the Light Brigade at Balaclava, the mandarins of the BBC are stormed at with shot and shell. Their centre falls back, their right is in retreat, so — like Marshal Foch, "excellent situation"—they attack.

They have been compelled to ask for the £65 licence fee, and there is a serious question whether they will get it. If they don't, it will mean more pressure on the quality of programming; a steadily-widening differential between already shabby-genteel BBC salaries and those in the commercial sector; more co-productions; and declining prospects of maintaining the superb standards that are what attracted them to the BBC in the first place.

Worse, it is not only a question of money: it is a question of love, or of the passing of love. Morale at the BBC is precarious. For the first time in 60 years, the corporation can no longer count on virtually automatic support from a powerful lobby of the serious-minded.

The ideology of the day is sceptical of the very principle behind the claims made for public service broadcasting. The government of the day is profoundly unsympathetic. Fields that were tilled peacefully by generations of producers, secure in the knowledge that they need never go out to plough with a frontiersman's rifle slung across their back, are now within range of the snipers' bullets.

Even the unmentionable has been mentioned: the spectre of advertising stalks Television Centre. And now, *Dallas* is going.

In this moment of supreme danger, like the British Fourth Army on the Marne in 1918, the beleaguered defenders have turned gallantly on their tormentors and launched the counterstroke. The master-strategist, it seems, is Michael Grade, fresh from his laurels in Los Angeles. Terry Wogan is throwing himself into the fray thrice weekly, bravest of the brave. But the secret weapon is a serial called *EastEnders*.

It is not, perhaps, likely to attract a high proportion of FT readers, and is certainly not intended to: a small sample conducted in my house on Sunday — consisting of one merchant banker, one barrister and one merchant banker's wife — winced their way politely through half an episode. But that will be water off a duck's back to Michael Grade and producer Julia Smith. At last count, just under 18m people were watching the show; and with ratings like that, top of the BBC1 charts, who needs the plandits of the intelligentsia.

Having now watched five episodes, I have to say, with as little superciliousness as I can muster, that I like *EastEnders*. Indeed, I might be getting hooked, and not only because I fancy Anita Dobson as the publican's wife Angie, somefink rotten.

I admire the thoroughness and professionalism with which the campaign has been planned. Julia Smith and script editor Tony Holland seem to have approached the series somewhat in the way in which we are told MITI, the Japanese Ministry of International Trade and Industry, plans to wipe out competition in sewing machines or machine tools.

They began by turning loose designer Keith Harris to build an entire fake East London Victorian square — complete with pub and caff and houses, right down to a railway bridge with simulated slime — in Elstree. No expense was spared to reproduce the authentic seediness and decay of what was once the business end of London, the place where the money really was made.

The writing is being done by a team balanced carefully to include veteran scene-smiths from *Z Cars* and the like with new talents, including those of a well-known actor who is trying his hand at writing for television for the first time.

My chief criticism from a technical point of view is that the pace is too breathless. Matthew Robinson and his team of directors often cut from one sub-plot to another at bewildering speed.

But the main difficulty in a serial comes from the fact that you have to create a whole alternative world credible enough for the viewer to feel that it is still there when he or she switches off. That is where *Coronation Street* has been so brilliantly successful. To do that, and to keep an audience on the edge of its metaphorical chair—not for a half-hour episode, not even for a six-part mini-series, but (fingers crossed) for 20 years means plaiting together a number of threads in a fairly complex pattern right from the beginning. And, even then, it takes time to establish a serial: time for the viewers to feel they have got to know the characters.

With a stroke of genuine professional expertise, if not of inspiration, the story begins in the very opening minute with a death: that of an unloved alcoholic. This makes everyone in the square feel guilty, or at least defiantly unmoved, and later turns out to be murder. The acting, in general, is above praise. I never cease to be amazed at the sheer depth of acting talent on which the television industry can draw. That comes, I suppose from the fact that the theatre, in all its forms, is a genuine popular art in this country. The apex of the pyramid is high because the base is so broad.

The cast of *EastEnders*, at any rate, is recruited largely from comparatively unknown actors and actresses; Anna Wing, as the disagreeable but indomitable granny, Lou, who is at the centre of the knot of characters, is a distinguished exception. Oddly enough I felt Miss Wing, unlike the others, over-acted.

The rest, most of them real East Londerers by unbringing, are models of careful, naturalistic acting in the best television style. Oscar James, as the West Indian-born jobbing builder, Tony; Bill Treacher, as the feckless paterfamilias, Arfur; and Leonard Fenton as a shrewd Jewish GP, are outstanding in a cast without any obvious weakness. So there it is, the campaign has been meticulously planned, the troops trained to a hair, the generals and their staff seem to know exactly what they are doing. The outcome, as they used to say, is now in the lap of the gods.

Or rather, presumably, it is now a question of how many British viewers want to identify with this cluster of highly-stylised stereotypes — because that, in spite of all the actors' skill, is what they are.

I shall watch *EastEnders*, therefore, from time to time with the sort of half-guilty enjoyment most of us feel in front of the screen. But I shall watch the show's fortunes with more than idle curiosity. For its success or failure, perhaps, will have something to say about ourselves and how we see ourselves.

It replaces *Dallas*, after all. *Dallas's* principal competition among imported American serials is *Dynasty*. Both deal with wealthy, privileged, upper-class people. The characters in them who seem to intrigue British (and no doubt American) viewers mostly, have aggressively active sex lives, flamboyant personalities, and money to burn.

It is interesting, to say the least, that the people who make serials for the American market think their viewers want to identify with successful bastards, whereas the people who make serials for us think that we think of ourselves as lovable but hopeless. It is even more interesting that the people who buy serials for us think we want either to watch serials about successful American bastards, or lovable English failures. There are, after all, plenty of people in Britain as rich as the characters in *Dallas* or *Dynasty*.

In part, it is no doubt something to do with class. Americans are fascinated, not repelled, by the spectacle of the upper class having fun, because they can imagine joining it themselves. British viewers are repelled by the same spectacle, because they can't — but have no objection to the goings-on of the American upper class.

That, at least, is the theory. But is it really true? Or is it simply devoutly held by the sort of people who take the decisions to buy or to spend money on making television serials? Do they really know what they are doing, these princes who govern over self-image? Or are they imposing on us a patronising picture of their own making? Are they reinforcing a national inferiority complex, or are they helping to create one?

Eric Clapton/Wembley Arena

Antony Thorncroft

The walls of London may no longer proclaim "Clapton is God" but there are still enough followers of the cult guitar hero to pack out Wembley. In a way, it is a pity that he is still so popular—a smaller venue would have magnified his appeal tremendously, although, of course, minimising his fee.

Guitar pyrotechnics do not sparkle brightly in that forlorn hangar of a place and the Clapton voice, never his most striking feature, was deadened by the Wembley sound: the lyrics were just fleeting phrases. With Clapton a diffident figure, clothed like a coolie; a stage set more suitable to a parish hall: and an equally self-effacing band, it needed all of Clapton's genius to lift the evening.

And when he fitfully turns it on, in songs like "Way down south," he is still the master of the plaintive guitar sound of the sixties. But he seems an age away from today's heroes, with their pretty-boy routines and political positionings, and a rather nostalgic figure. The audience, too, was seated passively, as unmemorable new songs were mixed with sad old blues and rockabilly.

In a crowded honkytonk in Texas, this would have been rousing, living music. At Wembley, it was more a case of a revered superstar going through the motions. Some of them, like his delicate love song "Wonderful tonight," still grip; but, in the main, the low-key performance was swallowed by the arid environment.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 1–7

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

CHICAGO

Riches to Ragtime (Pheasant Run): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

Saleroom/Antony Thorncroft

From Victoria to Vienna

Etchings produced in the 1840s by Queen Victoria (and one by Prince Albert) of their young children sold for £9,720 at Christie's yesterday. The Queen was fleetingly interested in drawing, and had Landseer as a teacher. After her enthusiasm waned the album of her works passed to the Duchess of Sutherland, who also contributed to this collection.

Other intriguing items, in a sale of prints, were two etchings by Gainsborough of rural scenes. The artist did only 20 prints in his life-time and very few have survived. These were unknown before being brought into Christie's among a job lot recently. They sold for £11,340 and £3,780 respectively to the London dealers Artemis and Mendez.

A very rare Meissen group of the death of St Francis Xavier, modelled by Kaendler around 1740, sold for £39,600 at Sotheby's in a Continental ceramics auction, to Neuse, a German dealer. The price was more than double the top estimate.

The sale totalled £385,201, with 18.4 per cent bought in, which was mainly attributable to a pair of Du Paquier vases of 1730, unsold at £17,000; and a tureen and cover from the same source, unsold at £10,000.

* * *

There is nothing like a high more sellers. In November 1983, Sotheby's in New York sold a portrait of Karl Zakovsek by Egon Schiel for $2.4m (£1.6m), a quite exceptional price for the artist.

It coaxed out another work by Schiele, one of his few nudes, which made £3,190,000 at Sotheby's in London last December. Now, on March 26 in London, Sotheby's is selling yet another painting by Schiele, a portrait of his friend Karl Grunwald. It is expected to make at least £1m.

This is an excellent example of price and fashion marching hand in hand. There is a growing academic interest in the work of the German artists of the early decades of this century, and collecting taste is moving on from pretty Impressionists to the more challenging post-Impressionist and Expressionist art.

Schiele is the leading Viennese Expressionist and his short life (he died of Spanish flu in 1918 aged 28) makes his paintings rare. He completed only eight of his tortured nudes: hence, the very high price paid in December for what will probably be the last to appear on the market. His portraits can also be frighteningly frank, stripping the sitter down to his soul. That of Grunwald is more

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Controlling defence costs

THE RECENT disclosures concerning delays and cost escalation in the Nimrod early warning aircraft hold lessons for the Government, for parliament and for the public.

The all-British aircraft project was begun in 1977 as an alternative to the American Awacs (airborne warning and control system) then being negotiated as a common purchase by Britain's European allies in Nato. Like the Awacs aircraft, Nimrod was intended to give radar coverage of the new breed of low flying, fast and potentially devastating Soviet fighter-bombers.

The first Nimrod should have been delivered by early 1982, with the squadron of 11 aircraft fully operational last December. Instead, the first aircraft has only just reached the Royal Air Force, which finds the performance of its advanced radar system far from satisfactory. The squadron will not see service for at least two more years, and even then it will probably not do all the RAF originally required of it.

As for costs, the original £306m has escalated to £816m spent so far, with at least £200m more committed and probably a further £200m needed for the full operation. Britain's share in the original Awacs deal would have about £300m—and Awacs is now in service.

The reasons why Nimrod is so far off course are disputed. The original decision to plump for an all British aircraft which would incorporate the most advanced radar technology in retrospect looks ill-advised. The RAF preferred Awacs, but British Aerospace had sold the Government some spare Comet airframes, while Marconi (now GEC Avionics) was developing a new radar. At a critical time in 1977, the negotiations on the Nato Awacs were delayed, allowing powerful industrial and political pressures to win the day in favour of the British solution.

Government officials now say that Marconi's problems in developing the new radar should have been predicted: after all, it took Westinghouse nearly 10 years to produce a rather less complex system for Awacs. The company refutes responsibility, saying the MoD failed to give it proper specifications early enough and then starved it of development funds at a crucial time. It seems to be accepted that there were failures of management on both sides, particularly the lack of proper controls at high enough levels in both company and the MoD.

Mr Michael Heseltine, the Defence Secretary, whose equipment budget amounts to £8bn a year, was said to be angry when he discovered the extent of the delays and cost overruns. His new policies towards the defence industries are designed to encourage competition and the use of fixed price rather than open-ended defence contracts.

One of the lessons of Nimrod relates to the management of complex defence projects and the need for better liaison between Ministry and contractor. It is desirable that contracts of this kind should be placed on a risk-sharing basis. There is a strong case for considering collaboration within Europe, both to widen the customer base and to secure economies of scale.

Dilemma

Yet the central dilemma is the case for buying British—or for that mater European—when there are proven products available from the U.S. How important is it for strategic reasons to have a British (or European) alternative supplier of key military equipment? No one would suggest that Europe should seek to duplicate the U.S. defence industry, but the criteria for making the necessary choices are far from clear. Some argue that the commercial spin-off from advanced military technologies justifies buying British in certain cases. But can this spin-off be quantified and what have been the gains to civilian industry from past defence projects?

Some of these problems arise in non-defence fields, such as the nuclear and civil aircraft industries, where large investments in advanced technology are being considered. An important safeguard would be for decisions of this kind to be subjected to greater independent scrutiny, so that the strategic, industrial and political factors—and the interests of the taxpayer — could be examined objectively and in detail.

The House of Commons defence committee is doing an honourable job in trying to get the facts about defence spending out of the ministry and it is proving a formidable task.

The MoD must be persuaded that if it is to continue spending huge sums on defence equipment it has to be more accountable to the taxpayers.

For Nimrod is not a one-off problem. There are still plenty of defence projects in the pipeline, from the proposed European fighter aircraft to smart missiles; unless the closest watch is kept mistakes of the Nimrod variety could still be made.

A cure for the steel industry

THE STEEL industry of the European Community has been in intensive care for eight years. It has undergone amputations to help it to adapt to lessening demand for its products. Yet the intention to discharge the patient as fit at the end of this year will not be fulfilled. That is the depressing result of a regime of production quotas, minimum prices and import controls intended to bring the industry to a state where it can dispense with national subsidies from the start of 1986.

That regime has been backed since 1982 by the full authority of the European Coal and Steel Community which drew upon the considerable powers available to it to shelter the steel makers from competition both within the community and from without. In return, under the Davignon Plan (named after the community's Commissioner for industry who stepped down at the end of last year), the industry undertook a stringent programme of capacity cuts.

Too optimistic

Though some countries, especially, Italy, have lagged, the programme has progressed pretty well as intended. The commission wished 26.8m tonnes of annual rolled capacity to be removed from the 168.6m tonnes installed in 1980. By the end of 1984 21.9m tonnes had actually gone. Plans have been announced which will bring the tally to 26m tonnes.

The sad fact, however, is that the initial target was based on too optimistic an assessment of demand. Suggestions abound that another 20 per cent ought to be sliced off the capacities still in existence once the Davignon cuts have been fully implemented.

It always was doubtful whether planned rationalisation in the form of a cartel supervised and sponsored in this instance by a governmental authority was going to work. The picture now revealed greatly reinforces the case for allowing the pressure of market forces to compel the steel industry to complete its restructuring.

Resistence to such a solution is likely to come from many quarters. The cost structure of the steel industry—as well as its traditions—makes it cartel-prone. When demand is slack the marginal cost of extra tonnage is low, so that the temptation to engage in cut-throat competition is always strong. Cartels, explicit or implicit, offer themselves as the device to avoid such potentially suicidal conduct.

National rivalries within the community complicate the issue. In spite of steel's declining economic importance, no big industrialised nation seems ready to see its steel industry go to the wall. In addition steel mills often are concentrated in declining industrial areas where it is hard to find alternative employment. For all these reasons it is probable that some or all of the features of the present community regime for steel will be extended beyond the turn of the year, despite the doubts about their effectiveness.

Amid the many special cases and arguments of expediency the heart of the matter must not be forgotten. The European steel industry will not survive unless is makes itself efficient and matches capacity to the market.

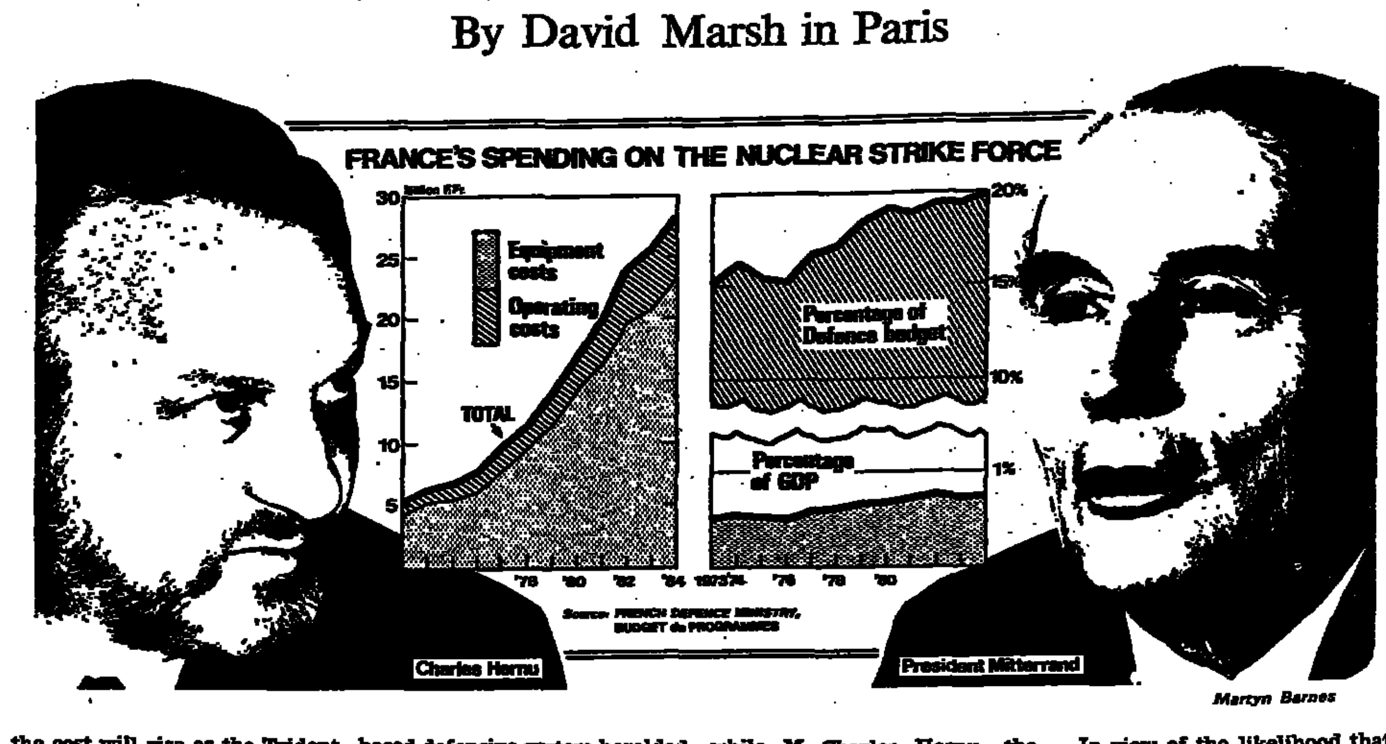
An artificially high price for steel, such as the present regime is intended to bring about, damages the competitiveness of European steel-using industries. And a protectionist regime in Europe only strengthens the hands of those in the U.S. who are trying to protect their own steel industry against European imports.

If the Davignon regime is to be prolonged beyond 1985, firm safeguards need to be imposed. Minimum prices should be kept low, preferably on a declining basis. National governments should commit themselves to a progressive withdrawal of subsidy. The commission should use its powers gradually to relax import restrictions. In the end it is only the pressure to compete and to survive which will force industry to put its house in order.

MITTERRAND'S NUCLEAR DILEMMA

The high price of independence

By David Marsh in Paris



Martyn Barnes

THE FRENCH nuclear strike force, for 25 years the symbol and guarantee of France's independent place in the world, is facing its most critical period of reckoning since the explosion in the Sahara of the first tricolour A bomb in February 1960.

How the Socialist government, presiding over the world's third biggest atomic armoury, deals with a series of dilemmas over the future role of the *force de frappe* (or *dissuasion* as it is now more diplomatically called) will be the object of scrutiny not only in Washington and Moscow.

With the UK and France both aware that their small nuclear forces are likely to be brought in as bargaining chips into disarmament negotiations between the superpowers, Britain, too, will be turning closer attention to the French experience of independen deterrence.

Unlike Britain's, the French nuclear deterrent has been built up almost completely independently of the U.S., with American opposition to its development during the 1950s and the 1960s hardening France's go-it-alone spirit.

Since France's departure from the integrated command of Nato in 1966, the *force de dissuasion* has also been kept separate operationally from the U.S. and British arsenals, with details of targeting, for instance, kept secret from its allies.

Independence has been bought at a price — and one which looks likely to rise further in coming years. The French nuclear forces, combining air, land and sea-based strategic weapons (Britain has just the Polaris submarine force) as well as a growing battery of tactical arms, cost around FFr 28bn last year in equipment and running costs, 20 per cent of the defence budget and 0.76 per cent of gross domestic product. Their cost to the French economy compared with the early 1970s, when the missile silos and missile launching submarines were just coming into operation, has risen by 50 per cent in relative terms.

By contrast, Britain's nuclear deterrent, costing around £380m a year, makes up about 2 per cent of the defence budget and 0.16 per cent of GDP—although the cost will rise as the Trident programme gets under way.

President Charles de Gaulle, who turned the bomb-making drive into a lynchpin of the Fifth Republic when he returned to power in 1958, admitted then that the nuclear force would probably need 25 years to reach full potential.

Ironically, now, just as the *force de dissuasion* has indeed come of age, technological advances in weaponry, changing perceptions of how a future European war would be fought, and closed military ties with West Germany, have combined to undermine part of the Gaullist doctrine on which the force has been built.

An unchanging theoretical precept of France's system of deterrence "*dun faible au fort*" (from the weak to the strong) is that France can command the means to wreak devastating damage to an aggressor—"to tear off his arm," Gen de Gaulle said—with only a tiny fraction of the superpowers' nuclear arsenals.

France may, however, have to adjust upwards its definition of what constitutes "nuclear sufficiency" as a result of anti-missile defence efforts by the superpowers. Advances in space-based defensive system heralded by President Reagan's "Star Wars" initiative could significantly increase the cost of modernising the *force de dissuasion* in coming years—at a time when French public spending is facing an unparalleled post-war squeeze.

France will soon be deploying this year its new 4,000-plus km multiple warhead M.4 missile, carried on the latest nuclear submarine Inflexible, scheduled to be launched next month, and extended later to the rest of the submarine fleet, designed specifically to combat anti-missile defences already in place around Moscow.

The Defence Ministry claims that whatever the present and prospective advances in missile defence the M.4, taking into account progressive refinements in its range, accuracy and penetration ability, will remain credible for the rest of the century.

Nonetheless, French unease has risen in recent months along with the apparent strengthening of the Reagan administration's commitment to the project. President Mitterrand issued a firm denunciation of the "militarisation of space" in a pre-Christmas TV broadcast, while M Charles Hernu, the Defence Minister, last month criticised space defence efforts as likely to enhance the general arms race.

Even though European leaders in general have been expressing doubts over Star Wars, France has marked the hostility of its position by being significantly absent from requests from Britain and West Germany that Europe should participate in U.S. anti-missile research.

The U.S. programme has also led to pressures, reflected recently in a report from the Opposition dominated Senate foreign affairs commission, that France should add to its nuclear panopoly by building low flying cruise missiles to escape anti ballistic defences. Aerospatiale, the state aerospace concern, already carried out research into cruise missiles several years ago—although further development would be very costly.

There have also been suggestions—made notably in an article in Le Monde yesterday from an anonymous army general—that France should start developing its own anti-missile systems to protect key cities and weapons silos.

In view of the likelihood that the initial spark for any major East-West conflict would come from a Soviet conventional advance into West Germany, another question mark over the future role of the French force has been raised by the growing importance of its shorter range tactical nuclear weapons.

The scope of operation of the deterrent, which under General de Gaulle's doctrine served purely to defend the "national sanctuary," has already been enlarged in official statements in recent years to encompass France's "vital interests" abroad—which implicitly includes West Germany.

Despite pressure from some German politicians for France to spell out in more detail under what circumstances its German - pointing tactical weapons could be used, France is likely to try to remain ambiguous over whether—and how far—its nuclear umbrella really extends east of the Rhine. This is both because it believes that uncertainty heightens the value of deterrence and also, equally pressingly, to avoid any unfavourable political repercussions.

Pressure for more clarity could, however, grow as the cost, range and number presently around 200 (each of the power of the bomb that destroyed Hiroshima) of France's aircraft and missile-borne tactical weapons increases in coming years, as planned under current defence programmes.

M Hernu has recently "pre-strategic." He has tried to maintain that their mode of operation—to serve as a last-resort warning to advancing Soviet forces of imminent firing of France's anti-city strategic missiles—is unchanged from that laid down by General de Gaulle.

In fact, a growing number of French critics, both among politicians and in the armed forces, point out that the tactical armoury is already more than sufficiently powerful to fulfill its "shot across the bows" role.

One further nuclear dilemma is whether, to cut costs and boost efficiency, France could usefully collaborate with Britain over nuclear arms without giving up its cherished independence within Nato.

Senior French nuclear officials admit that France would like to gain access to British secrets over dampening the noise of nuclear submarines.

The idea of exchanges of nuclear submarine technology came up last year in talks on naval collaboration between British and French officials, but any deal would be very difficult to achieve politically.

Similarly, French officials in 1982 made overtures to Britain—one senior Aerospatiale executive even brought up the matter directly with Mrs Margaret Thatcher—about selling the UK the M4 (or the planned improved M5 version) in preference to Trident.

The matter was never pursued seriously. With several other co-operation proposals being pushed by the French, including the possibility of joint satellites, for submarine communications, the last word, however, has not been heard over Franco-British nuclear collaboration. And the idea could surface with force if a British Government one day decides to cancel the Trident project.

HOW THE FRENCH DID IT THEIR WAY

THE engineers, scientists and military men who took part in France's clandestine drive to build nuclear weapons a quarter of a century ago have no regrets.

Whatever the current uncertainties over the force de dissuasion, there is a general feeling of pride in a technological achievement which restored France's tattered post-war military prestige and paved the way for the present rapid expansion of civil nuclear energy.

The U.S. refusal to supply France with nuclear materials and know-how during the 1950s and 1960s—which has left a residue of continuing suspicions between Paris and Washington over exchanges of sensitive technology—is now generally regarded in a positive light.

"The U.S. underestimated France's capability to solve nuclear problems. They thought our engineers were not clever enough, industry was incapable, and the country didn't have enough money after the war," says M Georges Besse, former chairman of metals group Pechiney, and now chairman of Renault. He played a leading role in setting up, from the late 1950s, France's own military uranium enrichment plant at Pierrelatte, which became operational in 1967. Later he went on to head the CEA's nuclear fuel services group Cogema.

Even after France entered the nuclear arms club in 1960, continuing opposition from the U.S., above all from Admiral Hyman Rickover, the father of the American nuclear submarine programme, prevented collaboration on submarine propulsion.

"Rickover and Westinghouse (the U.S. group carrying out submarine reactor work) thought that, without U.S. help, France would be unable to do anything," says M Jacques Chevallier, the present head of the CEA's military applications division, who during 1959 and 1964 was responsible for building France's *own prototype* pressurised water submarine reactor.

With French possession of nuclear arms now one of the few areas of government policy which commands a national consensus, the scruples which after the war assailed some U.S. scientists active in the Manhattan Project do not greatly trouble French consciences.

"It was not the French who invented the bomb," says Gen Albert Buchalet, the wartime parachutist who headed the CEA's first military department, set up secretly on December 29, 1954

His experience of nuclear matters at the time was *limited to* an American film on the Hiroshima and Nagasaki bombings. "They took an atomic illiterate so that if the bomb project failed, it would not ruin anyone's reputation," he says.

M. Yves Rocard (father of the present Agriculture Minister, M. Michel Rocard) who as Gen Buchalet's No. 2 was the main scientific brain behind France's A-bomb work, says: "I do not recognise any moral arguments. I knew how to make a bomb, and I made it."

M Pierre Guillaumat, now 75, the former chairman (between 1965 and 1977) of oil group Elf Aquitaine, masterminded the CEA's bomb-making strategy during his time as Administrator General during 1951 to 1958. Looking back, he says atomic weapons status continues to serve the Gaullist purpose of marking out (and protecting) France from non-nuclear Germany.

The only doubts are shown by M Francis Perrin, for long one of France's foremost atomic physicists. He played second string to M Guillaumat during the 1950s as the CEA's High Commissioner in charge of the CEA's scientific activities.

Overall, the strength of the force de dissuasion is "fictitious," he believes. "France is so much more vulnerable than the Soviet Union. I don't believe we can play poker *with the Russians*—they are stronger at bluffing than we are."

Men and Matters

The City's policeman

"I've never been a policeman," admitted Sir Kenneth Berrill yesterday, as he publicly donned the mantle of the City of London's top regulator. But he sees the role of chairman of the new Securities and Investments Board as being primarily one of promoting London as an international financial centre rather than hounding a succession of fraudsters through the Old Bailey.

And if Sir Kenneth, 65 next August, might seem a little old to be embarking on such a challenging new job, it is also true that he can draw on a wealth of experience from a career which has taken in 20 years as a Cambridge economics don, a spell as Chief Economic Adviser to the Treasury, and six years during the 1970s as head of the Government's Think Tank.

His move to the City as chairman of stockbrokers Vickers da Costa might have seemed like a semi-retirement posting but he remarks on "a much more exciting and unusual five years than I thought when I came here in 1980."

He summed up his new appointment by saying that he was coming to do a job for a body that did not exist, which at the moment had no money, and for a salary that he didn't know. All the same he was "very flattered and honoured" to be asked, and it is a fair guess that with the Governor of the Bank of England promising "market-related" pay this particular policeman's lot is going to be a relatively comfortable one.

Sir Kenneth had a neat description for his task. "Regulation is like salt in cooking. It's an essential ingredient—you don't want a great deal of it, but my goodness you'd better get the right amount. If you get too much or too little you'll soon know."

"Wasn't the pickets that stopped us—nobody could remember the way"

Twin dates

It is turning into a busy week for Alan Stote, chairman of the CBI's smaller firms council. Today he attends his first meeting of the National Economic Development Council as a new member of the CBI team. Tomorrow his company, BTS Group, starts trading on the USM.

Stote, at 36 one of the youngest-ever Neddy members, runs BTS with his younger brother Roger. The firm, based in the West Midlands heartlands of small business enterprise, was launched in 1962 by their father and partners. It makes tyre remoulds and batteries, and sells exhaust systems.

"If you are going to complain about government policy you have an obligation to try to influence it," is the reason Stote gives for playing an active role in the CBI and now in Neddy.

The old cart-horse is not the power-house it used to be when the Government, big business, and the unions, used to have a monthly scrap. But it still provides a rare opportunity for businessmen to face ministers across a table—and be heard.

Bank's bite

According to chairman and prospective shareholder, Luther Hodges, Washington DC's oldest bank, the National Bank of Washington (NBW), has its own unique form of "shark repellent."

The sharks he is talking about are those acquisitive financial institutions poised to move into the district to buy up local banks in anticipation of the day when Washington becomes part of a larger regional banking system.

At present, Washington's banks can only do business within the surrounding 63 square miles. But later this year, Maryland, Virginia and Washington are all expected to pass laws allowing banks to operate across their state and district borders.

Hodges' quiet confidence that NBW will not become a victim of the predators is in part due to the fact that the bank is, he claims, the largest completely unionised commercial bank in the U.S.

This helps to explain why dozens of banks which have been approached by New York investment bankers, Goldman Sachs, in recent months, have not shown any interest in buying NBW.

Goldman has been working on behalf of a most unusual seller—the United Mineworkers' Union, which controls 76 per cent of NBW's equity. The union bought its stake in the 1940s when it was led by the legendary John L. Lewis, the then most powerful union boss in the U.S.

In 1980, U.S. bank regulators required the mineworkers' union to separate itself from day-to-day management influence at the bank. Hodges, a former executive at North Carolina National Bank and deputy secretary at the Commerce Department durwing the Carter administration, was brought in to head NBW which is Washington's second largest bank with assets of just over $1bn.

Last week it was announced that he is a member of a consortium of investors—including a yet unnamed British pension fund, and led by Peter Del Col and Roy B. Simpson, of the New York investment concern, Colson—which has agreed to buy the mineworkers' holding for around $70m.

The new shareholders, says Hodges, plan in future to be sharks themselves in Washington's banking waters, not little fish.

Star turns

Difficult to decide who is staging the better performance these days, Michael Samuelson, or his daughter Emma.

Michael Samuelson is managing director of Samuelson Group, the family-controlled film and entertainment equipment rental company, which has been one of the star turns of the London Stock Exchange these past six months.

Its share price has rocketed from 175p to a high of £10.50 as it has benefited from the revival of British film-making, with credits ranging from A Passage to India to Amadeus.

But Samuelson's 24-year-old daughter, under her stage name, Emma Samms, has found her stock rising as well. After a leg injury forced her to give up a career in ballet, she went to the United States three years ago to try her luck as an actress.

For the past two years, she has played in the TV series General Hospital. Now she has landed the role of Fallon, daughter of the scheming Alexis Colby, played by Joan Collins, in the soap opera Dynasty, at a reputed fee of £200,000 an episode.

Observer

Letters to the Editor

The outlook for Europe

From Mr R. Rawe

Sir,—M Riboud's concern for Europe (February 27) strikes me as misplaced. His description of European fatalism and technological incompetence bears no relation to the actual situation and his fears over levels of investment and control of inflation are unfounded.

As an investment manager, I interview the top management of some 100 major European companies each year and never have I encountered the fatalistic attitude towards technological competitiveness that M Riboud considers to be so rampant. There are dozens of companies in Europe leading the world in their fields of technology and if they are being treated with indifference by U.S. laboratories it is at the peril of the latter.

Whether in Germany, France, Italy or Finland, it is not difficult to find companies taking on world competition with confidence and winning the battle. Managements exude dynamism and leave me eager to participate in their business as an investor. With the greatest of respect, might I suggest M Riboud spends just 10 minutes speaking to the management of Olivetti, ASEA or Schering and then tell me if he finds management wallowing in a pit of fatalism about their ability to compete with the U.S. or Japan. If I may quote Mr de Benedetti on his strategy for Olivetti, "In our business there is no future in becoming a second-, third-, or fourth-rank company. Either you win or die, we will win." Does this sound like the frightened Europe of M Riboud?

I find it hard to accept that U.S. companies are as blinkered about European competition as M Riboud would have us believe. A company that symbolises America, Coca Cola, has had to turn to a Swedish company, PLM, to find the technology capable of producing plastic replacements for its aluminium can. The U.S. motor industry has also turned to Sweden to find robot (ASEA) and bearing (SKF) technologies because none better can be found. Clearly, the eyes of these companies have not been fixed on only the U.S. and Japan.

It is easy to supply other examples of world technological leadership by European companies, Oce van der Grinten of the Netherlands, leads in computerised copying equipment for design engineering, just one German company, Schering, leads the world in three fields, "soft" detergents, hormonal contraception and sugar beet pesticides, Siemens leads in nuclear plant technology and laser printing and so the list could go on. I would like to finish by pointing out that France also has its share of world leaders, Essilor dominates progressive lens technology, French cement companies have taken large shares of the North American market with their superior production techniques and companies such as TRT and CSF lead in their areas of defence technology.

These examples are the tip of the iceberg but they should be enough to show that there is no reason to be fatalistic about Europe's contribution to scientific and technological advances.

M Riboud's broader pessimism over Europe's economic outlook is also exaggerated. It should be pointed out that his first condition for economic growth, inflation, is being more successfully tackled in Europe than anywhere else in the world. His concern over the second condition for growth, investment, is also excessive, for the figures he quotes for Europe include public sector investment, while the U.S. figure is for private sector investment only. During the period 1973 to 1983, private business investment in Germany, for example, increased 20.3 per cent against the 2 per cent increase quoted by M Riboud. Although I would agree that in the early 1970s European investment was too low, it has picked up sharply since 1976 and is now running on levels similar to those of the U.S.

I remain certain that the outlook for Europe's economies and companies is very positive and am convinced that few, if any, European managements possess the fatalism referred to by M Riboud. Morale in Europe is high and I hope articles such as M Riboud's do nothing to dent it.

Robert Rawe.
90 Bishops Road, SW6.

Change is inexorable

From Mr A. Just

Sir,—It seems that this incalculably damaging miners' strike was destined to happen. As though fate dictated that we should go through a hyper slow-motion national blood letting. But no, we must not believe it was unavoidable.

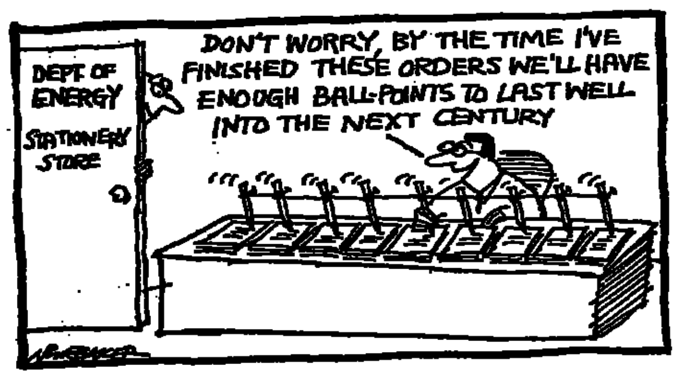
In all the public statements I have heard one side has kept repeating through the mouth of a hectoring rhetorician "save pits, jobs and communities!" The other has repeatedly insisted that management must have the right to manage. I have heard little public indication that the NCB fully acknowledges the reality of mining communities' concern for their future beyond a lavishly generous willingness to buy back their jobs or offer similar work elsewhere.

Structural change in society is an inexorable process but if social cohesion and harmony are to be preserved it behoves those with great power over the destinies of whole communities to impose their will in an enlightened, fully responsible and, above all, effective manner.

The rise of Scargillism was an early warning of an inadequate management approach. I recall that Arthur Scargill was elected as NUM President largely on his skilful exploitation of well founded rumours of a closure "hit list" (note the pejorative term) and the fears associated with it. I do not recall any positive public NCB campaign to explain its plans and prepare those affected. Only evasive platitudes or a silence equivalent to free tanker loads of petrol to help Mr Scargill stoke the fires of fear. The fire duly raged and the nation has paid and will go on paying the price.

This most expensive ever lesson in how not to conduct industrial relations must at the very least remind us of the breadth of vision and wisdom required in the successful management of technical and social change.

Alec Just.
22, King George Avenue, Bushey, Watford, Herts.



Very much to the point

From the Head of Information, Department of Energy.

Sir,—Robin Pauley (Lombard, February 28) states that the Department of Energy has stockpiled enough ball-point pens to last 15 years.

It may be a good story but not a true one. As I write, the Department's ball-point stock is 2,927 black, 2,490 red, 1,515 blue and 137 green—a sufficiency but not enough of any colour to last 15 weeks let alone 15 years.

Romola Christopherson,
Thames House South, Millbank, SW1.

The early leaver problem

From the President, Society of Pension Consultants.

Sir,—I was disappointed by Eric Short's comments (February 28) on the report recently issued by the Institute and Faculty of Actuaries. This report was confined to warning of a potential problem being created by Parliament. The so-called "poor treatment" of the early leaver by pension schemes arises because of the short-sightedness by Parliament in imposing on them a benefit that would prove unsatisfactory in inflationary conditions.

There is no impasse over the calculation of transfer values in relation to the Social Security Bill. The Bill specically provides, as Eric Short points out later in his article, that transfer values will represent the discounted value of the deferred pension. The object of the report now issued is to point out that, given that concept, transfer values will not match the expectation being created in the minds of the public.

It is quite untrue to say that actuaries use optimistic assumptions when calculating transfers out and pessimistic assumptions when calculating benefits to be granted in return for receiving a transfer value. I have never known of actuarial assumptions being juggled in order to make a profit out of an early leaver. The failure of a benefit granted in respect of a transfer value to meet expectations stems, when financial neutrality is the rule, from exactly the same source as the inability of preserved benefits to match the expectations had the individual stayed with his employer.

Brian Coote.
Ludgate House, Ludgate Circus, EC4

Commercial buying power

From the Director-General, Food Manufacturers' Federation

Sir,—This federation shares Sir Leslie Porter's belief (March 4) that the prime objective of the food industry as a whole is to work in a unified way in the interests of our customers, the consumers.

For that very reason the federation is anxious that genuine worries among its members should be brought out into the open. These worries are mainly about the potential for unfair trading which concentration in grocery retailing can give rise to. We believe that they can best be resolved by our two links in the food chain operating harmoniously together.

Sir Leslie is of course entirely right in saying that the 1981 Monopolies and Mergers Commission report on discounts to retailers did state that the prevailing conditions at the time did not operate against the public interest; but that same report was sufficiently concerned about the pace of concentration and the potential risk to the public interest to insist on a close watch over mergers in retailing and wholesaling.

The market share figures used by the M and MC mostly related to 1978. Since then there has been a substantial growth in the market shares held by the major multiples, and we therefore welcomed the decision of the Director-General of Fair Trading to up-date the figures and hear evidence in confidence from manufacturers about any trading problems they may be experiencing.

Our belief is that the overall situation is not as healthy as it could be. We very much hope our colleagues in retailing will agree that it is in everyone's interest, theirs, ours and the consumers, to promote fair trading throughout the "food chain."

(Sir) Jeremy Moore.
6, Catherine Street, WC2.

World trade in textiles

From the Managing Director, Central Confederation of Textile Industries in the Federal Republic of Germany.

Sir,—I read Mr Martin Wolf's letter (February 26) with great interest and would welcome the opportunity of making some remarks on it.

While I do not dispute that, from a totally abstract and purely theoretical point of view, quota rents in some supplier countries can conceivably raise prices that can be charged by competing producers elsewhere, practically all the empirical evidence available shows that the often-alleged price-raising effect of the Multi Fibre Arrangement is grossly exaggerated. Prices of clothing products have risen less quickly than the general retail price index. According to Eurostat, the general index (1975=100) was 227.5 in 1983 and that for clothing was merely 206.4. The problem of quota rents arises in so very few countries that the purported umbrella under which other suppliers can raise their prices is, in reality, nonexistent. Due to the widespread under-utilisation of quotas, cheap competition from other countries (including the industrialised countries and the second and third generation suppliers among themselves) is not constrained at all in order to make such alleged price increases possible.

As far as Hong Kong is concerned and the rather bitterly formulated reproach by Mr Wolf that, in spite of its ostensibly liberal trade policies it is still—and hence unjustly—being subjected to import quotas I must point out that Mr Wolf has forgotten to take due account of the extremely close economic ties between Hong Kong and the surrounding countries, first and foremost China. It is no secret that Hong Kong has been (and will certainly vigorously continue) making the best possible use (be it cheap imports, be it outward processing, etc) of its geographical proximity to China. As a state-trading country, China can well afford to subordinate price calculation aspects to higher-ranging political priorities such as procurement of foreign exchange for the financing of ambitious industrialisation plans in other sectors. If one adds the imports of subsidised pre-materials from the surrounding countries, it is quickly apparent that Hong Kong has an enormous head start in textile trade. Hong Kong already has the largest quota allocations and the MFA has in no way changed its position as the by far most important clothing exporter in the world.

In spite of the MFA, the effects of the imports from low-cost countries on the EEC textile sector have already been devastating (these imports having been one of the key factors that forced an adjustment to capital-intensive production processes). Any further liberalisation will thus most certainly require more sacrifices from the EEC textile sector.

I would also like to comment on Mr Wolf's suggestion of a rise in the EEC's external tariff rate as a substitute for quantitative restrictions. I am afraid that such an idea, although of some theoretical interest because of its apparent neatness, would not be of any great practical use. The tariff rise would have to be very substantial in order to adequately compensate for the mainfold current distortions to competition in world textile trade. Problems would also arise from the fact that these tariffs would be valid vis-a-vis other industrialised countries. They would, moreover, probably wipe out the guaranteed market access that the really poor developing countries currently enjoy and unduly further favour the already highly competitive suppliers and the EEC "preferential" countries.

Under the present circumstances, a system similar to the MFA seems to be the only practicable and sensible solution.

Dr Konrad Neundoerfer.
6 Frankfurt 70, Schaumain Kai 87.

Altogether jarring habits

From Mr P. Merrill

Sir,—I awaited with interest the response to Mr Connold's view (February 26) on the beer glass. Mr Devenish (March 1) has presented the view of the internationalist but does not apparently have access to the real reasons behind this truly British subculture.

Had he taken his beer in Handsworth, Holbeck or Hull (the former being important districts of larger conurbations) then he would understand the importance of taking his beer from a straight glass. It is both safer and more hygenic. How frequently beer is served in a jug which is chipped; whereas the straight glass must be discarded immediately when damaged. The risk of damage to the vital drinking organs is considerable when using a "chipped jug." Far more important however is the purity of taste and flavour achieved when applying the tongue and lips to the "thin glass."

On the other hand, had he taken ale with Broughton Park, Bedford or Bath he would understand the importance of a handle to "hang on to." On entering the second gallon of consumption the security of the handle prevents the glass "slipping from the grasp" should the grip ever weaken. (The glass is of course held correctly without use of the handle.) A second advantage is that the glass can be safely tucked under the arm (when held in the correct manner) so as to prevent unnecessary spillage during periods of overcrowding of the bar.

But, perhaps most important of all, both Mr Connold and Mr Devenish should recognise that they are being asked to choose their weapons when being offered their choice of glass. Should matters in their chosen hostelry become difficult or eventually out of hand then they may well need to choose between defending themselves with the jagged thin glass with which one may draw blood from one's opponent or alternatively use the heavier jug with which the opponent may be rendered unconscious.

Perhaps problems of this nature do not arise in the soft south.

Peter Merrill.
Hope Cottage, Macclesfield Rd., Prestbury, Cheshire.

The constant imperialists

From Mr C. Dauris

Sir,—I find it difficult to reconcile Sir Thomas Bazley's view (February 28) that the Russian leaders consider expansion rationally with his suggestion that they are paranoid about external threats.

Since about 1300 Muscovy has extended its territory continually by conquest and annexation. Although there have been occasional and temporary reversals of that expansion, throughout most of the intervening seven centuries the Muscovite empire has been at its greatest extent to date. It is today. That its neighbours have so often felt severely threatened is hardly surprising and could help to explain why the empire has been attacked from time to time.

Considering the Russians' propensity to aggression, right up to that into Afghanistan, I suspect that the attribution of paranoia is just a Freudian excuse for rapacity.

Colin J. Dauris,
Goodalls, Middle Street, Nazeing, Essex.

Anzus in disarray

A serious case of nuclear allergy

By Robert O'Neill

FOR THE greater part of the life of the Atlantic Alliance, it has been in some kind of internal dispute or disorder. The Anzus alliance, only three years younger, has been spared such turmoil. Even Mr Gough Whitlam's new broom, when he led Australia's first Labor Government in 23 years into office in 1972, caused only a brief flutter in Washington. Yet now, following the New Zealand Government's ban on nuclear-armed and propelled warships entering its ports, serious concerns have arisen that Anzus may be terminally afflicted.

Three questions arise: why did the Lange Government adopt this policy; why does it matter; and what can be done about it? On the first, we must look to a concurrence of several causes to explain the change. It has nothing to do with neutralism, non-alignment or pro - Sovietism. New Zealanders see themselves as part of the West in political, economic, social and cultural terms. Rather we must look more to the remoteness of New Zealand from troubled regions and the ease with which ideas can flow in from elsewhere in the West.

Since the U.S., Australian and New Zealand withdrawal from the Vietnam war, it has been difficult to interest New Zealanders in the proposition that their country faced a direct threat to its security. It did not have, like Australia, a possible problem on its doorstep such as relations with Indonesia and seems protected by Australia against anything unpleasant coming out of South-east Asia or the Indian Ocean.

The Western nuclear allergy of 1981-82 quickly spread to the South Pacific and, in the more hospitable political and strategic circumstances there, took root and flourished in 1983-84. There was little of the rallying effect produced in the Atlantic Alliance after the shooting down of the Korean aircraft, the Soviet walk-out at Geneva and Western INF deployment. Rather the simplistic view took hold in New Zealand that nuclear weapons, not government policies, were the main danger. *Ergo*, keep them out of New Zealand and it will be a much safer place.

This philosophy took hold in left-wing Labour circles in New Zealand and soon crowded out the "old-fashioned" view held on the right of the party that in the nuclear age, security is best achieved by deterrence based on alliance strength and cohesion. A new leadership, with little experience of international affairs, was soon captured. The new policy was also convenient in that it helped to reduce friction with the left caused by Mr Lange's relatively orthodox remedies for New Zealand's economic difficulties. Clearly anti-nuclear sentiment has a firm hold on his Government and will not be easily dislodged.

Why does it matter? Not because of any great intrinsic value of New Zealand's ports to the United States. From Washington's perspective the issue is essentially one of setting (and correcting) a bad example. From Canberra's viewpoint, the problem gives rise to domestic disorder, particularly between Mr Bob Hawke, the centrist Prime Minister, and his party's strong left-wing, supported on this issue by the new Nuclear Disarmament Party.

The wider implications, as perceived in Washington, are relevant to Alliance relations in Europe and East Asia. The strength of the U.S. deterrent posture in the Pacific rests essentially on sea and air power, and for its continued effectiveness the U.S. needs access to naval and air bases in Japan and the Philippines. The anti-nuclear opponents of Mr Yasuhiro Nakasone are taking a keen interest in the New Zealand affair. The U.S. is concerned that consequences could flow which would torpedo the delicate arrangements whereby U.S. naval vessels, widely thought to be nuclear-equipped use Japanese ports. There has long been public controversy in the Philippines about U.S. use of Clark airfield and the Subic Bay naval base. In the present state of Philippines politics, the U.S. is not anxious to see any further difficulties raised there.

Similar American concerns regarding the way in which European allies, particularly Belgium, the Netherlands, Denmark and Greece, approach their obligations are too obvious to require comment. Unintentionally, Mr Lange has offered to the Reagan Administration a challenge with global implications.

The most difficult question is what to do about it. The U.S. cannot be expected to ignore the problem. Equally it has to ask whether proposed remedies might not make the situation worse. Again the implications are serious: a major bungle in handling New Zealand can fuel an anti-American backlash, not only in New Zealand and Australia but also in Japan and Europe. There are already several Third World states cheering on the side-lines for New Zealand.

Direct American economic retaliation is obviously likely to prove counter-productive poltically. The most direct means for administering discipline is through reduction of existing defence connections. The problem with this approach is that in the first place it diminishes what America wishes to see enhanced, namely a strong New Zealand regional defence capability. Furthermore, the Lange Government may choose simply to shrug off such pressures as irrelevant. More scope for pressure is offered by the Congressional battle over U.S. imports, but again a counter-productive backlash in New Zealand and elsewhere may result from any measures which really hurt.

Rather American strategy in this episode should be designed for the long term, through firm persuasion rather than sharp punishment. In this approach, the Reagan Administration seems likely to receive support and co-operation from Australia and Britain. Mr Lange and his party are not about to change their minds tomorrow, but in the next two years they must face the voters. The key actors in the debate there will be middle-of-the-road New Zealanders. They are the people that New Zealand's allies must bear in mind as they plan their moves in the intervening years.

The author is director of the International Institute for Strategic Studies, London.

FINANCIAL TIMES

Wednesday March 6 1985

JAPAN'S FINANCE MINISTRY DOES ABOUT-TURN ON POLICY

Offshore banking idea endorsed

BY JUREK MARTIN IN TOKYO

THE JAPANESE Ministry of Finance (MoF), reversing its policy of recent years, has publicly endorsed the creation of an offshore banking centre in Tokyo. That would allow foreign financial institutions to operate on Japanese soil without being bound by national exchange or monetary controls.

The MoF's change of heart was made clear yesterday by Mr Toyoo Gyohten, director general of its international finance bureau, who said: "If Tokyo is going to emerge as a major international market, then it should have the main facilities available in other important markets."

Mr Gyohten was speaking after the publication of the recommendations of the Foreign Exchange Council, a special committee formed last year to study further means of internationalising the yen.

The Council, under Mr Yoshihiro Inayama, head of the Keidanren or industry confederation, has called for an "intensive study" of proposals to establish an offshore facility. That, it argued, was necessary if Tokyo was to become a genuine international financial centre as well as to "increase the efficiency of Japanese businesses in raising and managing their funds."

An offshore centre in Tokyo has been a subject of debate in Japan for several years. It has always had its supporters within the MoF, although they have never been in a majority, but has met strong opposition from the Bank of Japan – which, as the country's central bank, has argued that offshore activities would make implementing monetary policies more difficult.

Mr Yusuke Kashiwagi, chairman of the Bank of Tokyo, has been appointed to head the subcommittee that will make the study of the proposed centre. The subcommittee – set up as an offshoot of the Foreign Exchange Council – will receive the co-operation of MoF.

The MoF appears to favour a centre run along the lines of the New York international banking facility rather than the more integrated model of the City of London.

The U.S. arrangement preserves the distinction between offshore and onshore or domestic operations.

"Very few" in MoF like the London model because it presupposes a dismantling of domestic regulations that could not and would not be achieved "overnight," Mr Gyohten said.

One area that could very quickly fit into any Tokyo-based offshore scheme is the call, or short-term, market in U.S. dollars – estimated to involve some $50bn.

"I am quite sure that such transactions as short-term dollar ones will be shifted to the offshore market," Mr Gyohten said.

Nakasone weakened, Page 3

Mitterrand may seek vote to boost his authority

By David Housego in Paris

PRESIDENT François Mitterrand is considering holding a referendum on either the enlargement of the EEC to include Spain and Portugal or the election of a president of the Community by universal suffrage.

Ostensibly, the reason would be to boost President Mitterrand's image by gaining a positive vote on a question which could command a majority in the country, while helping to advance the political integration of Europe to which he feels personally committed.

Such a referendum, if it were to be held, might strengthen President Mitterrand's authority when cantonal elections this month and parliamentary elections in March next year both look like weakening it by showing that the Socialists have little more than 20 per cent of the popular vote.

French officials yesterday described as well founded reports in Le Monde suggesting that the President was considering the two possible questions on enlargement and a Europe-wide elected presidency.

Both Charles de Gaulle and Georges Pompidou as presidents used the referendum as a means of testing popular opinion, and M Mitterrand has said he sees it as a possibility.

A referendum on a popular issue might also capitalise on the recent rise in President Mitterrand's personal popularity and that of M Laurent Fabius, his Prime Minister, in the opinion polls. The further advantage of a referendum on Europe is that it would divide the opposition.

In practice the referendum proposals run into strong objections. The idea of a vote on an elected presidency for Europe would require the agreement of France's partners to the proposal.

In the case of enlargement, it is by no means sure that a majority of Frenchmen are in favour. But the possibility of a referendum on the issue helps to explain the shift in French policy at the Franco-German summit last week towards hastening enlargement by linking it to the increase in Community resources.

President Mitterrand clearly intends that any vote on Europe would be in the context of a renewed momentum towards political integration. In that context he spoke last week of launching a "surprise initiative" on Europe – a statement that was echoed by Chancellor Helmut Kohl of West Germany, who also spoke of both leaders' personal commitment to the issue.

Among the ideas President Mitterrand has in mind is a proposal to convene a "Messina conference" to review European institutions and the working of the Treaty of Rome. The Messina conference of 1955 prepared for the EEC's creation.

Nuclear dilemma, Page 14

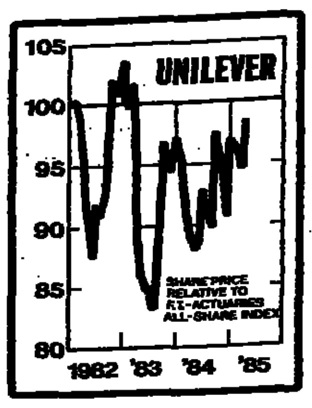
THE LEX COLUMN

When rights are not enough

Even optimists in the City of London were left gaping at National Westminster's 1984 profit, which put down a daunting marker for its competitors. A pre-tax increase of 30 per cent to £871m was surprising enough; but even more striking was the deterioration in the bank's balance sheet which accompanied this apparently glowing performance. If this can happen to NatWest in a year when it has already had a rights issue, the less well-capitalised clearers may have problems indeed.

Most of the trouble can be blamed on the Chancellor of the Exchequer's phasing-out of capital allowances and is essentially a one-off – though NatWest's tax will remain slightly above the notional rate for a couple more years. But the effect in 1984 was to take £570m in deferred tax out of retained earnings. So despite doing so well at the pre-tax level and raising £236m in a rights issue last year, shareholders' funds have actually shrunk by £242m. With the strength of the dollar artificially swelling its balance sheet, NatWest must feel as if it is walking the wrong way up an escalator. Its free capital ratio has fallen from 5.0 to 4.5 per cent and its free equity ratio from 2.7 to 1.7 per cent – well below the level which usually suggests an imminent rights issue.

Unless the dollar falls sharply, NatWest will have to slow down its balance sheet growth until it can rebuild its capital base through retentions. These, in any case, may be harder to come by this year. Commission income, with Midland's and TSB's moves to free banking, cannot continue to grow at 32 per cent; domestic margins will narrow further as the bank has to fund more at money market rates; and staff and equipment costs are likely to rise faster than inflation.



Unilever

The Unilever share price has been very strong for months past, particularly since the Brooke Bond takeover played its part in convincing the market that Unilever had moved into one of its occasional periods of managerial aggression. It is clear, however, that nobody came close to estimating the 20 per cent increase in pre-tax profits that Unilever was about to publish for 1984. Even the past year's slide in sterling could not quite push reported profits past the £1bn barrier recently crossed by ICI. But £924m was far enough over estimates to put £1 on the shares in London, where they closed at a new peak of £12.50.

Quite what Unilever's dollar investors will make of this is another matter. In dollar terms, pre-tax profits actually fell a touch, and earnings were up by a mere 4 per cent. Yet the comparison with Unilever's main competitors in the U.S. detergent market is not unflattering, and the shares still stand at a fair discount to those of Procter & Gamble or even Colgate. And so far as Wall Street is concerned, the evident success of Lever Brothers at taking market share may overcome any disappointment at the figures themselves.

The cost of fighting it out with Procter – in a market where national brand launches can cost $50m a time – is bound to hold back U.S. profits in 1985, and slow the group's overall advance, even if Lever resists Procter's recent counter-attack. But this can be defended as a worthwhile investment in future growth, complementing businesses. The process of selling off peripheral activities could go on almost for ever in a group of this complexity: £86m below the line seems a modest amount to provide for the whole programme.

Dunlop

The dispute between BTR and Dunlop has been simmering gently for a full week, so it was inevitable that something would turn up before long to raise the temperature. The proposed management buyout of Dunlop's North American business should bring it back to boiling point in no time.

From Dunlop's point of view, the deal could hardly be better. It is thoroughly consistent with the group's policy of withdrawing from tyre manufacture and should have a marked impact on the structure of its balance sheet. The disposal would involve a book write-off of perhaps £20m but that is scarcely significant in relation to the cash proceeds and debt elimination which between them could wipe £150m off consolidated borrowings. And while North America has been a useful profit contributor in the lean times, the interest on the cash received should comfortably outweigh the lost earnings this year and next.

BTR, meanwhile, would find itself bidding for a slightly better capitalised group – all things being relative – shorn of one of the assets which made Dunlop attractive in the first place. BTR will no doubt argue that Dunlop is deliberately rushing the deal and, as a forced seller, stands to receive a knockdown price for its asset. But Dunlop's own shareholders will scarcely grumble at the sight of their balance sheet being improved by the sale of a tyre manufacturer.

Mr Big

Yesterday's appointment of Sir Kenneth Berrill as head of the new Securities and Investments Board brings to an end the most popular City guessing game of 1985. The game itself has been a mixed pleasure. The list of candidates who were both qualified and available for the job always appeared rather short, and by protracting the selection process the Bank of England encouraged the view that no one was on it at all.

So the emergence of a figure as well respected as Sir Kenneth is a considerable relief. He has consistently viewed the City with a detached and sceptical eye, and his knowledge of Whitehall geography is quite an asset in the circumstances. What he lacks in financial experience should in theory be made up by the presence of Mr Martin Jacomb as part-time consultant. But, while the City has obtained as competent a policeman as it could reasonably have expected, the structure of the force as a whole still looks ill-conceived. The arguments for retaining two regulatory bodies are extremely thin and it is simply not realistic to suppose that the City can be effectively policed by people on two-year secondments.

France to issue 'smart' bank card

By David Marsh in Paris

FRANCE yesterday took the first concrete steps towards a sophisticated nationwide cashless retailing network with the announcement of a plan by the country's leading banks to issue three million "smart" electronic payment cards by the end of next year.

The programme, involving initial investment of FFr 200m ($19.4m) is of crucial importance to French efforts to export electronic banking and payments technology based on the "smart card".

That is a plastic credit card containing a single-chip microcomputer that can store and process data. Its applications range from financial transactions to verifying individual identity.

French companies developing the "smart card", led by the nationalised computer group Bull, are facing a fierce battle over marketing the card on the key U.S. market and in Europe. Casio, the Japanese electronics company, is mounting strong efforts to sell a rival product.

Yesterday's announcement was made after two years of discussions among the banks, including all the main commercial institutions as well as the co-operative and savings banks and the Post Office network, about harmonising their approaches to payments systems.

The accord effectively unifies the banks' foreign banking payments policies by allowing collaboration with the Visa and Mastercard international credit card networks, to which the banks were previously allied on an exclusive basis.

Details of the plan to introduce 3m cards in the Brittany, Calais, Lyons and Riviera regions have yet to be completed.

Those include the crucial questions of price and quantities of cards to be ordered from the companies involved, including Bull, Philips and possibly Thomson and other electronics groups.

M Raoul Bellanger, director of the banks' consortium supervising the programme, said that in the next month or two firm orders were likely to be placed for the cards, which make up about half of the initial FFr 200m investment.

The rest is represented by spending on electronics shop terminals and on the less sophisticated "authenticators" that "read" the personal code contained in the chip to verify a customers' transaction. The banks want to develop a new generation of payment registers that can handle cash, cheques and cards.

The second stage of the overall investment, scheduled to spread 10m to 12m "smart cards" around the whole of the country by end-1988, is put at FFr 1bn.

The banks also want to press the French telecommunications authority (DGT) to lower the cost of telephone links connecting bank computers and the "smart card" system.

In addition, agreement has still to be reached with the retail trade on tariffs for "smart card" payments which some shopkeepers groups have denounced as being set by a "cartel."

Ford unions 'seek productivity deals to avert cuts in Europe'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN GENEVA

TRADES UNION leaders throughout Europe are in a race against time to head off a big cut in Ford's production capacity, Mr Bob Lutz, chairman of Ford of Europe, said yesterday.

Recent hints that Ford might have to close capacity have been heeded, he claimed, and unions are now asking Ford what must be done to prevent closures and redundancies.

Mr Lutz suggested that if a change of attitude among the unions enabled Ford to improve effectiveness and productivity, the company could "go for volume" to improve its profitability in Europe, rather than by cutting costs.

Mr Lutz insisted that Ford of Europe had been profitable in 1984 – exact details will be announced shortly – and had done better than its arch-rival, General Motors, in Europe last year.

However, Ford's profit was nowhere near enough to cover necessary future investment.

Ford had been whittling away at its cost base, Mr Lutz said. Ford of Europe's workforce has been reduced from 140,000 to 105,000 since 1979, "without any drama," and every future product programme had been studied carefully to see whether it could be cut or was duplicating something being done elsewhere in Ford's worldwide operations.

The moment had arrived when "something much more visible" to the outside world would have to be done, however. Mr Lutz said that Ford was considering whether to "cut vertically" and close down a factory, or to "cut horizontally" by moving some plants from double to single-shift working. Either move would result in heavy job losses.

"Nobody likes having surgery, they keep taking aspirin, and hoping the pain will go away," Mr Lutz said. "But we must improve our cost base to increase our profitability."

Mr Lutz, who returned as chairman of Ford of Europe last summer, said the company would finalise its next five-year strategic plan in June, so the unions did not have much time to persuade it to change tack.

However, if by offering such changes as more flexible working practices the unions enabled Ford to improve productivity, the company would certainly reconsider a potential closure programme.

Ford's main car assembly plants in Europe are at Cologne and Saarlouis in West Germany, Dagenham and Halewood in Britain, Genk in Belgium and Valencia in Spain. A small plant at Lisbon assembles cars and Transit vans for the Portuguese market. The main commercial vehicle facilities are at Genk and at Langley and Southampton in the UK.

Renault drops Soviet project

BY OUR PARIS CORRESPONDENT

RENAULT, the French automobile manufacturer, has pulled out of a project to build an engine plant in the Soviet Union that might have brought the company orders worth FFr 6bn-FFr 7bn ($581m-$678m).

Renault said last night that it had abandoned the project because of the Soviet Union's failure to follow up an earlier agreement with firm equipment orders. The group signed a contract worth FFr 300m with the Soviet Union in November 1983 to design a new car. The contract was to have been followed by orders worth FFr 1bn for machine tools and other equipment.

In a reflection of the differences that emerged in implementing the agreement, the French Communist Party has of late accused the company of dragging its feet over a deal that might "provide hundreds of jobs" in France.

Renault last night blamed the Soviet Union for "difficulties" over the design agreement and "uncertainties" over equipment orders.

Moscow has paid the FFr 300m involved in the design contract but has been seeking improved financial terms for the FFr 1bn machine tool and other capital equipment orders for the Moskvich car plants.

The Soviet Union said it could get similar equipment more cheaply from Fiat of Italy and Volkswagen of West Germany.

AP reports from Tokyo: Eight Japanese companies are preparing bids for construction contracts worth Y1,000bn ($3.85bn) for four Soviet petrochemical plants, Japanese company officials said

Chiyoda Chemical Engineering and Construction said the Soviet Union invited Japan to enter bids for the projects after Japan-Soviet economic talks last January. The talks were the first between the two countries since Japan imposed sanctions against the Soviet Union over its crackdown on Poland in 1981.

He said the Soviet Union would begin negotiations on the projects soon among bidders including companies from Japan, Britain and France.

Chiyoda said the four bids involved construction of a plant nearby Budennovsk in the Ukraine capable of producing 250,000 tons of ethylene and 200,000 tons of polyethylene a year; a nylon plant producing 50,000 tons of nylon-66 fibre annually in Kursk, south of Moscow; a polyester plant with annual capacity of 50,000 tons in nearby Blagoveshchensk in the Ural region; and a vinyl chloride plant capable of manufacturing 250,000 tons of polyvinyl monomer and 180,000 tons of caustic soda near Zima in the Baykal region.

Each project will cost from Y200bn to Y300bn. Soviet plans call for completion of the plants by 1988.

Dunlop nears buyout deal for U.S. offshoot

BY MARTIN DICKSON IN LONDON

DUNLOP Holdings, the UK rubber group, is in the final stages of negotiating a $120m management buyout of its U.S. subsidiary – a deal that would give the company a powerful new weapon in fighting off the £33m ($35.6m) bid from BTR.

Dunlop is understood to have reached agreement in principle on a buyout with the management of Dunlop Tire and Rubber, led by its chief executive, Mr Randall Clark, and to have arranged much – although not all – of the financing of the deal.

The subsidiary, a specialist tyre manufacturer with 1983 sales of £273m, would be sold for around $120m, although it would also retain debts of $60m. Taking into account tax charges, the net gain to Dunlop would be around £150m.

If the sale goes through, it will inject a vital new element into the takeover battle. BTR's terms have been accepted by only 0.26 per cent of Dunlop shareholders and the company is under pressure to raise its offer, which stands at just half Dunlop's share price on the basis of last night's close of 45p, up 1p on the day.

Divestment of the U.S. operations and the resultant strengthening of Dunlop's financial position would put even greater pressure on BTR to pay more – even though the sale of the U.S. subsidiary might make Dunlop rather less attractive to it.

BTR's offer has already been extended for two weeks, which expire tomorrow. It has repeatedly complained about a lack of financial information from Dunlop.

Dunlop, for its part, is preparing a revised refinancing plan.

See Lex

Alcatel in high-tech link with Fairchild

BY DAVID MARSH IN PARIS

ALCATEL THOMSON, the French state-controlled telecommunications group, announced yesterday that it was to join forces with Fairchild Industries, the U.S. aerospace and electronics company, in manufacturing and commercialising satellite communications services and equipment.

The accord is one of the most far-reaching series of American high-technology link-ups put into place recently by Alcatel and associated companies in the nationalised Compagnie Générale d'Eléctricité conglomerate.

One of the prime aims of the agreement will be to allow Alcatel access to the key U.S. markets in satellite communications. The French group has established a strong position in manufacturing satellite earth receiving stations on the back of the French space programme.

The accord, which will lead to the establishment of four jointly owned operating subsidiaries, will give the French company access to Fairchild space communications products for worldwide marketing.

Alcatel will take a 20 per cent stake in two Fairchild satellite communications companies, while Fairchild will take the same share in two similar companies in the Alcatel group. The reciprocal stakes in the companies – with capital of a few million dollars each – could be raised to 40 per cent.

Mr Philip Schneider, senior vice-president at Fairchild in the space communications division, said the association with the French company "would help expand rapidly our involvement in telecommunications products and services."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	S	16	61	Malaga	F	14	57	Salzburg	C	3	37
Akrotiri	S	17	63	Faro	S	15	59	Malta	F	15	59	Seoul	S	3	37
Algiers	—	—	—	Florence	—	—	—	Manila	S	35	95	Singapore	C	30	86
Amsterdam	S	8	46	Frankfurt	R	11	52	Miami	S	21	70	Stockholm	C	-1	30
Athens	C	14	57	Funchal	—	—	—	Milan	C	8	46	Strasbourg	R	7	45
Bahrain	S	18	64	Geneva	R	1	34	Moscow	S	-8	18	Sydney	S	25	77
Bangkok	S	35	95	Gibraltar	S	14	57	Munich	C	2	36	Taipei	R	16	61
Barcelona	F	12	54	Guernsey	F	9	48	Nairobi	F	26	79	Tangier	—	—	—
Beirut	S	17	18	Helsinki	Sn	-5	23	Naples	F	15	59	Tehran	—	—	—
Belgrade	S	13	55	H. Kong	S	17	63	New Delhi	S	30	86	Tel Aviv	S	19	66
Berlin	C	7	45	Innsbruck	F	13	55	New York	F	10	50	Tenerife	—	—	—
Biarritz	—	—	—	Inverness	S	8	46	Nice	—	—	—	Tokyo	R	7	45
Blackpool	F	7	45	Istanbul	S	9	48	Oporto	R	9	48	Toronto	Sn	-2	28
Bordeaux	—	—	—	Jersey	S	9	48	Oslo	Sn	-2	28	Tunis	F	16	61
Brussels	S	9	48	Jo'burg	S	26	79	Paris	F	9	48	Valencia	F	14	57
Budapest	S	5	41	Las Palmas	—	—	—	Prague	C	2	36	Venice	C	10	50
B. Aires	S	28	82	Lima	S	26	79	Reykjavik	C	3	37	Vienna	D	2	36
Cairo	C	21	70	Lisbon	R	14	57	Rio de J'o	C	30	86	Warsaw	C	3	37
Cape Town	S	26	80	Locarno	R	2	36	Rome	R	12	54	Zurich	C	6	43
Caracas	C	27	81	London	F	10	50								
Casablanca	—	—	—	Los Angeles	S	8	46								
Copenhagen	C	2	36	Luxembourg	F	7	45								
Corfu	S	17	63	Madrid	F	8	46								
Dublin	F	8	46	Majorca	F	14	57								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Brazil in $750m trade deal

Continued from Page 1

Nobara Sociedade de Mineraçao, Comercio e Industria, owned by two brothers of British origin, Sr Francisco Walker and Sr Fernando Walker, has won a contract to supply four deep-sea oil platforms, against stiff competition from the U.S., Japan and South Korea.

Nobara entered the platform construction business four years ago. Previously, its only major success had been an order in 1981 from Aramco, the oil consortium operating in Saudi Arabia, for four small prospection platforms.

Sr Francisco "Frank" Walker said yesterday that delivery of the exploration platforms to the Soviet Union would begin in two years' time and be concluded in 1989. Nobara is understood to have an option on the construction of a further six platforms.

He was unable to disclose the value of Nobara's part of the deal, but said that the overall package included many other goods, including steel and sugar.

Under the arrangements worked out with the Soviet Union, Petrobras will import the crude and simultaneously make progress payments in cruzeiros to Brazilian suppliers. Apart from Nobara, these are likely to include the Instituto do Açucar e Alcool, the state sugar authority, and Siderbras, the state steel group.

Trade between Brazil and the Soviet Union, which is heavily in Brazil's favour, has been in the doldrums for the past two years. Brazilian exports reached their peak of $869m in 1983.

Traditionally the leading goods involved have been soyabeans and meal, refined and raw sugar, coco bean oil and frozen chicken. Soviet exports to Brazil have consisted largely of crude oil and small quantities of heavy machinery.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday March 6 1985

TAKEOVER WILL HELP 'GLOBAL BUSINESS STRATEGY'

NEC absorbs Honeywell operations in Japan

BY TERRY POVEY IN LONDON

NEC, one of Japan's leading computer manufacturers, has announced that it has taken over Honeywell Information Systems (Japan), the main marketing arm of the U.S. computer major in Japan.

Mr Tadahiro Sekimoto, president of NEC, said that the takeover would help the two companies develop their "global business strategy."

In March 1984, Honeywell, NEC and Bull in France signed an agreement on the marketing and licensing of large (mainframe) computers. At the time this was seen as the drawing up of an international pact between the major makers of computers not compatible with IBM.

According to Honeywell, the reason for the disposal of its subsidiary is that "a small company in Japan cannot be as effective as the large NEC in servicing our customers." The new company, called NEC Computer Systems, will sell both NEC and Honeywell machines.

Yamataki Honeywell, the U.S. company's control systems subsidiary in Japan, is to remain a separate company.

● Eastman Kodak, the world's largest photographic products group, and Chinon Industries, a major Japanese camera group, have signed a joint manufacturing agreement under which Chinon will produce 35mm cameras to Kodak specifications which will be sold under the Kodak name.

As part of the agreement, which the two companies described as "a co-operative business relationship," Kodak will purchase 2.5m Chinon shares, equivalent to about a 9.5 per cent stake. Kodak said the share purchase would be conducted in stages and estimated the value of the equity deal at between $13m and $14m.

The agreement will bolster existing links between the U.S. group and Chinon, which has manufactured lenses for Kodak equipment in the past.

Kodak added that it might also manufacture the new cameras – which will not be introduced before 1986 – at its apparatus division in Rochester, New York. Mr Ronald Heidke, Kodak's vice-president and general manager of the group's consumer products division, said that both companies would participate in the design of the products, with Kodak concentrating on the design of the lens.

Citibank takes legal action on loans to 11 Rio alcohol mills

BY ANN CHARTERS IN SAO PAULO

CITIBANK, Brazil's leading creditor, has started legal proceedings against a sugar and alcohol producers' co-operative and 11 mills in the state of Rio de Janeiro to recover $14m in outstanding capital interest and penalties due on two $10m loans made in 1976.

The proceedings have been taken out against Cooperativa des Produtores do Açucar e do Alcool do Norte-Fluminense (Cooper Flu) and 11 sugar and alcohol mills in the co-operative. The proceedings reflect growing financial difficulties in Brazil's alcohol industry.

Payment on the loans which are guaranteed by the Instituto do Açucar e do Alcool (IAA), a federal supervisory body controlling Brazil's sugar and alcohol industry, were suspended in late 1983. So far, three payments of $760,000 have been missed.

The IAA admitted last week that several distilleries were experiencing financial difficulties and that the IAA itself had extended guarantees on about $300m in loans.

The legal process initiated by Citibank in a federal court will require close to two weeks before Cooper Flu and the 11 mills are legally cited. The companies will then have 48 hours to pay the overdue loans or start renegotiations on the debts.

A Citibank director, Sr Alcides Amaral, indicated that, although the bank prefers to negotiate settlement without recourse to legal action, the unusual action of taking the matter to the courts in this instance was deemed necessary because negotiations for over a year had not yielded results.

Citibank's action follows that of two other banks, the Hongkong and Shanghai Bank and the Nordic Bank, against two other distilleries whose loans had been guaranteed by the Government.

Citibank's action, although small in itself, dramatises the problems of overborrowing and overproduction facing Brazil's alcohol facilities. Sr Amaral emphasised that Citibank was still a strong supporter and creditor to the sugar and alcohol sector with about $80m in commercial loans on the books.

Assets of ESM frozen by U.S. court

By Terry Dodsworth in New York

A FLORIDA district court judge yesterday froze all the assets of ESM Government Securities, a Miami-based securities trader, as auditors scrambled to assess the scale of recent trading losses run up by the firm.

The judge's move followed a court order obtained by the Securities and Exchange Commission (SEC), the U.S. regulatory body, appointing a receiver to ESM after the firm ceased operations. According to the SEC filing, customers may be facing losses of between $250m and $300m.

The collapse of ESM is the latest upset to hit the burgeoning government securities market in the U.S. and will undoubtedly spur the efforts of the Federal Reserve Bank of New York to tighten its controls on dealers.

The Fed has been trying to reach agreement with dealers since the fall of Drysdale Securities and Lombard Wall three years ago, followed by the collapse of Lion Capital last year. In recent proposals to the securities industry, the bank suggested that a standard formula should be adopted for testing the liquidity and the capital adequacy of dealers.

The SEC's move to appoint a receiver at ESM was coupled with legal action alleging a variety of violations of anti-fraud provisions under the securities regulations.

The main victim of ESM's difficulties is believed to be American Savings Loan Association of Florida, which has said that it may suffer a "substantial loss," although it expects to remain in sound financial condition.

The losses relate to repurchase agreements. Under these sort of contracts, common in the government securities sector, debt instruments are sold to dealers like ESM for later repurchase at a discounted price. ESM took a large volume of securities from American Savings.

Royal Bank of Canada's earnings down by 2%

BY ROBERT GIBBENS IN MONTREAL

ROYAL Bank of Canada, the country's largest chartered bank, reports a 2 per cent decline in earnings in the first quarter ended January 31. Domestic business showed lower returns year to year, but international profits improved sharply.

First-quarter net income was C$126m ($90.4m), or C$1.13 a share, against C$129m, or C$1.30, a year earlier. Average shares outstanding were 95m against 89m.

Return on average assets was 0.56 per cent against 0.61 per cent a year earlier but up from 0.48 per cent in the final quarter of fiscal 1984.

Domestic earnings were C$77m, down C$24m year to year, reflecting the high level of non-performing loans and intense competition. Return on domestic assets was 0.55 per cent against 0.73 per cent.

International earnings were C$49m, up 71 per cent from a year earlier, due to higher cash receipts from non-performing loans and strong performance by money market and merchant banking activities. Return on assets was 0.58 per cent against 0.38 per cent a year earlier.

Average total assets for the quarter were C$89.5bn, up from C$84.2bn a year earlier and C$88bn at October 31 1984.

The bank said that consumer loan growth in the latest quarter was satisfactory, but growth in commercial and corporate loans was slow, both in Canada and abroad. The "obstinately high level" of non-performing loans in Canada adversely affected spreads.

Loan loss experience for fiscal 1985 is estimated at C$670m, down 10 per cent from 1984. The bank continues to make substantial additions to general reserve for country lending, which is reflected in the loan loss estimate.

The portion of loan loss experience charged to first-quarter income under the five-year averaging formula was C$155m, up C$21m from a year earlier.

Non-interest expense rose 3.1 per cent during the quarter and was in good control, the bank said. Capital position was strengthened during the quarter by issuing of C$109m of new equity under the dividend and share purchase plan and internal generation of C$64m of capital.

NatWest profits up 30% despite a £351m bad debt provision

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

NATIONAL Westminster Bank of the UK yesterday reported a 30 per cent rise in pre-tax profits to £671m ($724.6m).

The increase is much larger than the City of London expected, and it suggests that the other UK banks will also display the benefits of a buoyant bank market when they report this week. Bank shares leapt ahead on the news, although their gains were later cut by profit-taking.

NatWest, which is the UK's second largest bank after Barclays, achieved its record results despite setting aside £351m, one third more than in 1983, to cover possible losses. Most of this applies to loans abroad where the bank still sees a need for caution despite the recent easing of the international debt crisis.

Lord Boardman, the chairman, said that NatWest's profits were based on "sound growth in the business, good marketing of our services and firm control of costs. The underlying trading performance across the group was significantly better and was achieved in highly competitive trading conditions."

However, NatWest was hit by a large £377m tax charge because of the changes made by the Chancellor of the Exchequer to capital allowances in last year's budget. So its profits after tax and other items fell to £289m from £396m. This accounts for the relatively modest 6.3 per cent increase in dividend to 25.6p.

Lower post-tax profits also weakened NatWest's balance sheet slightly, although Lord Boardman said it remained "one of the most strongly capitalised banks in the world."

The bulk of NatWest's increase in earnings came from the UK where the economic recovery produced strong loan demand and fewer bad debts. NatWest had to call in a receiver 75 times compared with 109 times in 1983. Lord Boardman said the miners' strike had only a minimal impact.

The bank also earned £60m from mortgages, up from £22m the previous year. NatWest has the largest bank-run home loan business in the UK with £3bn outstanding. It intends to land a further £1bn this year.

International banking was strong, but profits were hit by the high level of provisions for bad and doubtful debts.

Lex, Page 16; Details, Page 22

Deere and GM look at joint venture

By Our New York Staff

GENERAL MOTORS, the leading U.S. motor group, is considering a joint diesel engine manufacturing venture with Deere, the world's largest agricultural equipment company.

In a statement yesterday, the two companies said that they had already decided to implement a distribution agreement which would permit each company to market selected diesel engine products made by the other "as soon as possible."

The discussions reflect the aggressive moves large U.S. manufacturing groups are now making to cut their costs by rationalising production. Deere, in particular, is struggling to make economies wherever possible in the face of the worst crisis in U.S. agriculture since the 1930s.

IBM seeks to ease trading restrictions

By Stewart Fleming in Washington

IBM is asking the U.S. Justice Department to lift two consent decrees it entered into in 1935 and 1956. The department is reviewing the cases

Companies enter into consent decrees to settle complaints brought against them through the courts or regulatory agencies. Normally the company, without admitting or denying guilt, will consent to be bound by restrictions inhibiting it from continuing practices which have been questioned.

IBM is downplaying the significance of the Justice Department review, but some of its competitors are expressing concern over lifting of the 1956 consent decree covering electronic data processing equipment.

Alusuisse bounces back into black

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Swiss aluminium producer, returned to profits in 1984 with net earnings of SwFr 168.7m ($58.4m). This result, the best since 1974, followed losses over the three preceding years. The 1983 deficit was SwFr 82m.

The parent company booked a rise in net profits from SwFr 8.4m to SwFr 31.6m and proposes a 6 per cent dividend. The payout will be the first since 1981, when shareholders received the equivalent of 5 per cent.

The marked improvement reflects a 15.5 per cent upswing in turnover to SwFr 8.34bn, due in part to the stronger dollar.

At the same time, the group benefited from a rise in demand for aluminium, its major single product. This, together with the effects of restructuring within the light metals division, is expected to have put aluminium activities back in the black after a long period of loss-making.

In particular, Conalco, the U.S. subsidiary, is understood to have shown a profit in 1984. In recent years, this operation had suffered considerable losses.

Of the group's other major activities, both the Lonza division (chemicals) and the Chicago-based automotive parts company Maremont are expected to have shown good profits.

Reorganisation costs — covering plant shutdowns, special write-offs, contract modifications and personnel compensation — amounted to SwFr 119.4m in 1984.

This was again taken from a special restricted reserve fund set up three years ago as a result of a revaluation of the group's bauxite mining rights in Gove, Australia. The balance of this fund stands at SwFr 127.7m.

Elsewhere, extraordinary expenses added up to a net SwFr 21.1m, compared with net extraordinary income of SwFr 35.6m in 1983.

● Chocoladefabriken Lindt & Spruengli, the Swiss chocolate company, proposes an unchanged dividend of SwFr 110 a share on increased capital. This follows an 11 per cent rise in net profits for last year to SwFr 5.18m.

Total world sales of group brands, including licensees' turnover, went up 10.3 per cent during 1984 to SwFr 641m

Oriflame raises dividend

BY OUR FINANCIAL STAFF

HIGHER PROFITS and an increase in the dividend were announced yesterday by Oriflame, the direct selling cosmetics group which has a London stock market listing.

Profits before tax have moved ahead to £4.8m ($5.1m) for 1984 on the back of a 20 per cent increase in sales to £29.2m. For 1983, profits totalled £4.5m.

The performance follows on from an unexciting half-year out-turn, and it allows the dividend to be raised to 46.81p a share from the 36.6p paid for 1983.

Oriflame, which is registered in Luxembourg and has most of its manufacturing plants based in Ireland, looks forward to the continued development of sales and profits in the current year.

Last year proved one of strong growth in Scandinavia plus a return to rising returns in the UK. Business pace increased in North America, and two new operations were successfully set up in the Middle East.

Oriflame plans a scrip issue on a two-for-one basis. It has changed its treatment accounting of goodwill. It wrote-off £1.67m of goodwill against reserves for 1984.

Dutch paper group ahead

BY LAURA RAUN IN AMSTERDAM

BUEHRMANN - TETTERODE, one of the leading Dutch paper companies, more than doubled its profit to Fl 47.6m ($12.5m) last year from Fl 20.8m. The surge in earnings prompted a raising of the 1984 dividend to Fl 3.80 a share from Fl 2.60.

Sales rose 14 per cent to Fl 3.18bn from Fl 2.78bn.

An extraordinary gain of Fl 14m was realised from the sale of a 50 per cent share in Buehrmann - Tetterode's Roermond paper factory, to Royal Dutch Paper Mills (KNP). The factory will be used for a joint venture between the two companies to produce corrugated cardboard paper, using recycled material.

The earnings spurt last year caps a three-year recovery for Buehrmann - Tetterode, which heavily reorganised its activities in response to the recession of the early 1980s.

While now concentrating on its core activities of paper, paper products and trading, Buehrmann-Tetterode is expanding geographically. The company recently announced the purchase of Astro-Packaging of the U.S., a maker of air-cushion folders and sending envelopes.

Strong advance by Stora Kopparberg

By Kevin Done, Nordic Correspondent, in Stockholm

STORA KOPPARBERG, the Swedish forest products group, achieved record results last year with a 145 per cent increase in profits and a 41 per cent rise in turnover.

The group became the industry leader in West Europe late last year through the SKr 3.6bn acquisition of Billerud, one of its domestic rivals, in Sweden's biggest ever corporate takeover.

Billerud has been consolidated in the results with effect from November 13 last year. Group turnover rose to SKr 8.08bn ($847m), compared with SKr 5.7bn in 1983.

Excluding the partial contribution from Billerud as well as the Newton Falls paper mill in the U.S., which was also acquired during 1984, sales showed an increase of 18 per cent of which some 12 per cent was accounted for by higher prices.

Profits (after financial items) jumped by 145 per cent to SKr 1.27bn from SKr 516m in 1983. Billerud accounted for SKr 90m.

Stora Kopparberg said that profits in 1984 would have been SKr 1.56bn if Billerud had been included for the full year after allowance for a SKr 400m interest charge for financing the acquisition. Total group sales for the full year would have been SKr 12.6bn.

The group warned of lower profits in 1985 after two boom years, chiefly as a result of worsening market conditions for market pulp and sawn timber. The market for paper, board and chemicals is expected to be "satisfactory."

The dividend is limited by the dividend freeze to SKr 4.20 a share, against SKr 4.12 in 1983. Without the freeze the dividend would have been increased to SKr 5, said the company.

Stora Kopparberg said the big jump in profits last year was explained by a higher plant utilisation and improved prices for timber plup and paper. Pulp prices were helped by increases based on the international dollar-denominated price as well as exchange gains through the overall strength of the dollar. Pulp prices have been weakening since the autumn, however.

Profits from the Nova Scotia pulp and paper mill improved, but losses were incurred at the Newton Falls fine paper mill.

Euroc earnings soar by 52%

By Our Nordic Correspondent in Stockholm

EUROC, the Swedish cement, building materials and engineering group, boosted its profits by 52 per cent last year, helped by higher volume sales and better demand from export markets.

It is also continuing to benefit from the results of a far-reaching restructuring programme implemented in recent years which has helped to cut costs and improve the group's financial performance.

Profits after financial items jumped to SKr 321m ($33.6m) from SKr 211m a year earlier, while sales increased by 15 per cent to SKr 5.4bn from SKr 4.7bn in 1983.

The group is still running up substantial losses on its Tellus automatic truck operations, partly as a result of heavy development costs, but the prospects for this division have been improved by a series of large recent orders including a SKr 250m contract from the U.S.

Euroc's cement operations have improved their performance in the U.S. and the Swedish plants have been helped by increased exports.

The group said it expected "somewhat higher" profits in 1985 helped by continuing strong demand in the U.S. and more limited volume increases in Europe and Latin America. A further fall in demand is expected from the Swedish construction sector.

Euroc's dividend is unchanged, but the company is planning a one-for-four scrip issues. It is also making a —with one-tenth of a vote— to establish a market in Stockholm in preparation for subsequent foreign share issues. It is also making a two-for-one share split.

Ahlstrom setback

Ahlstrom, the Finnish forest products and engineering group, reports lower profits for 1984 despite reduced losses in its newsprint division, writes our Financial Staff. Group turnover improved to FM 4.6bn ($657m) from the FM 4.1bn of 1983, and parent company sales moved up from FM 3.36bn to FM 3.73bn.

After two years of improved returns, parent company profits have dipped to FM 29.8m from the FM 33m of the previous year. The company says that the year's losses on newsprint totalled FM 20m compared to a deficit of around FM 25m in 1983.

BIB shows profit in second year

BY MARY FRINGS

Bahrain International Bank (BIB), which incurred a net loss of $9m in 1983 after providing $22m against a single Kuwaiti loan, played safe last year and kept the bulk of its funds on deposit or in U.S. Treasury and Euro-dollar bonds. Only $31m of its $294m asset base—which is principally supported by shareholders' equity of $200m—was employed in commercial lending.

The result was an improvement in operating income, from $13m to $17.4m, and a net profit of $11m after a general provision of $6.4m against possible loan losses. The directors have proposed the distribution of the bank's first dividend, of 5 per cent, to its 10,000 Gulf shareholders.

Assets increased by 10 per cent in 1984, BIB's second full year of operation as a Bahrain offshore banking unit (OBU). Mr Donald J. Selinger, the general manager, argues that this is not the time for a newly-established bank to be building overheads in the form of a large staff and premises, in order to generate low-yielding loans in a high-risk economic and funding environment.

BIB has been working closely with its advisers from Mellon Bank of the U.S., and plans to sell some of Mellon's investment banking services on a fee-splitting basis. It has also appointed a real estate adviser, and expects to do some "moderately sized" U.S. real estate syndications.

● Net earnings at Gulf Riyad Bank rose by 24.8 per cent in 1984, despite an increase in general loan loss provisions to $3.49m from $2.66m.

The bank was established as an OBU in 1978, and the strength of its shareholders, Riyad Bank (60 per cent) and Credit Lyonnais, has enabled it to support a billion-dollar balance sheet on paid-up capital of only $20m, plus an "evergreen" subordinated loan of SR 85m. A conservative reserves policy has brought total capital funds to $61m.

Assets declined from $1.27bn to $1.19bn, and, while the loan portfolio showed little change at $522m compared with $523.4m, there was a considerable shift to shorter-term lending.

Mr Henri Laumet, the general manager, attributed the increase in profitability to successful Treasury operations and an improvement in interest rate margins.

Julius Baer plans offshore funds

BY OUR ZURICH CORRESPONDENT

BANK JULIUS BAER plans four new offshore funds. Three will have a bond portfolio, specialising in dollar, D-mark, guilder and Swiss franc Eurobonds. The fourth is to invest in D-mark money market paper.

The new funds, which it is intended should be set up in the first half of this year, will be registered in Grand Cayman. Portfolio management will be carried out by Julius Baer in New York with the bank's London branch acting as custodian.

The move ties in with Baer's intention to expand its London branch, particularly via portfolio management. Baer also sees a greater presence in New York and plans to open a representative office in Hong Kong.

For the current year, Baer is "very optimistic." Earnings in the first two months are said to have been excellent with all sectors contributing.

The bank recently reported a 23 per cent rise in net profits for 1984 to SwFr 23.8m ($8.2m) and proposes an increase in dividend from 15 per cent to 16 per cent.

● Siemens-Albis, the telecommunications and electronics group, is to pay an unchanged 12 per cent dividend for the year ended September 1984. The company increased net earnings from SwFr 9.8m to SwFr 11.3m, due largely to a major reorganisation in all sectors. Turnover improved by 1.2 per cent to SwFr 640.5m.

The company, owned jointly by the German Siemens Group and the Swiss Elektro-Watt concern, views the current year optimistically.

INTL. COMPANIES & FINANCE

Steven Butler on the reconstruction of a failed conglomerate

Korea First guarantees Kukje debt

THE Korea First Bank has announced that it is guaranteeing foreign bank loans to Kukje-ICC Corporation, the failed Korean family-run conglomerate which is being dismantled as part of an attempt to rescue some of its operations. The decision puts to rest fears among foreign bankers that they might be forced to take losses on their loans to the company — some foreign banks have individual exposures as high as $50m.

A senior executive of Korea First said the decision was taken to demonstrate the bank's full support for the company and to ensure that further funding would be available to help the company regain its health.

However, the apparent ability of the bank to restore the company's viability with a restructured management and a fresh injection of cash has raised new questions about why Korea First decided to dismantle the company to begin with. It has reinforced the belief that the move may have had political motives or, at the very least, was designed as a severe warning to other Korean conglomerates, many of which have a financial structure as weak as that of Kukje.

Although similar guarantees have not been issued to Korean banks, the executive said he expected no banks would suffer losses due to the break-up of the company.

Kukje's construction arm will be separated from the company and sold to Kukdong Construction. The Hanil Synthetic Fiber company will take over Kukje's trading and footwear operations, as well as its extensive real estate holdings. Kukje will remain as a separate entity and retain its status as a general trading company under Hanil's management.

Terms for the sale of the company have not been finalised, but observers believe that Kukdong and Hanil, which are not conglomerates, will be given substantial incentives for taking over the weaker branches of the company.

The action against Kukje is consistent with recent government criticism of the huge conglomerates, which have come to dominate the economy over the past decade. Government economists have said that the group's far-flung ventures have become safe harbours for inefficiency, since their managers are more interested in expansion than profit or financial soundness.

The dismantling of Kukje has been taken as a warning to other groups to consolidate their businesses and to concentrate on their main lines of business or face a similar fate.

Non-performing loans

Kukje was heavily in debt and other conglomerates' financial positions are not much different. They all exist, to some extent, at the mercy of their banks, with debt ratios ranging up to and over 800 per cent. Korea's commercial banks have tied up an increasing amount of their funds in loans to such conglomerates. Many of these loans are basically non-performing and the interdependence goes further. Many of the banks' major shareholders are the conglomerates to which they have lent so much money.

Mr Lee Hyung-Ku, assistant Minister of Finance, described the problem of non-performing assets of the banks as "serious," although he refused to disclose the actual amount. Foreign bankers say the amount of non-performing loans would be alarming by western standards, although it is difficult to calculate, since many companies are more or less automatically extended fresh loans to repay old ones, or loan agreements are renegotiated.

In 1984 loans extended by the Bank of Korea, Korea's central bank, to other banking institutions increased by 35.7 per cent to a record of 7,052.6bn won ($8.5bn). Much of the increase is believed to be accounted for by loans to shore-up ailing business, including construction and shipping companies.

One foreign banker says foreign banks continued lending to such highly leveraged companies because of an implied sovereign risk. "If we lend to any of the top 10 groups, we assume we are lending to Korea," he said.

"Given the amount of lending, the level of sophistication of corporate financial analysis is very low," he added. "If the foreign banks had been made to take losses on Kukje, the banks' would have had to change the whole method of operating and many companies access to credit would be shut off."

The government has recently placed restrictions on conglomerates investing in new subsidiary businesses. The Ministry of Finance is further considering rules to give the companies incentives to shed business unrelated to the company's principal areas of activity, and, up to determined limits, tax incentives to invest further in those principal lines.

Contingent liabilities

Government economists say that the healthy parts of the huge conglomerates are now subsidising their inefficient wings, and weakening the companies' efforts to develop some of the country's most promising areas of industry. One foreign banker cited as an example a conglomerate with a fast-growing electric company that was helping to keep afloat a money-losing heavy-machinery subsidiary.

In an effort to help weaker affiliates, some stronger companies have acquired contingent liabilities equivalent to more than twice their assets, according to a banker, and bankers are beginning to look more seriously at those contingent liabilities when they lend money

Most bankers believe that the government is handling the Kukje problem in a way that will not severely damage the nation's international financial standing. However, the problem of the huge domestic debts in the country has been yet again highlighted—as has the fact that these stand in the way of the government's declared policy of liberalising the economy.

Santos earnings jump by 72%

BY MICHAEL THOMPSON-NOEL IN SYDNEY

SANTOS, the Australian energy producer, and the largest shareholder in the onshore Cooper Basin oil and gas fields, achieved a 72 per cent increase in net profit for 1984, to A$83.8m (US$ 59.5m).

The Cooper Basin liquids project is now in full swing, reflected in the rise in turnover to A$287m from A$147m. Sales from the Basin last year totalled 9m barels of oil and condensate.

The final dividend from Santos is 8 cents a share, making a total of 15 cents a share—up from 1983s 12 cents total.

One of its partners in the Cooper Basin, Vamgas—a subsidiary of Woodside Petroleum—boosted net profit by 81 per cent, to A$14.1m, during the same period. A final Vamgas dividend of 4 cents a share makes a total of 8 cents.

Santos also has a large stake in the Jackson oilfields in south-west Queensland, and last year took control of fellow Cooper Basin explorer Alliance Oil Development.

● Industrial Equity, the investment group run by Mr Ron Brierley, scored an 87 per cent increase in net profit, to A$15.4m for the half year to December. Before interest, depreciation and other charges profits were 162 per cent higher at A$55.9m. The interim dividend is 5 cents a share.

● Mr Alan Bond's Bond Corporation, of Perth, has reported a 45 per cent increase in net profits for the six months to December, to A$9.3m. This is approximately equal to its full-year net profit (excluding equity-accounted contributions) for the whole of 1983-84. Total assets rose by 20 per cent to A$868m. As well as property, retailing and brewing, Bond now has sizeable interests in television and natural resources.

HK rationalisation for Citicorp

BY DAVID DODWELL IN HONG KONG

CITICORP, the U.S. banking group, has rationalised its banking and securities operations in Hong Kong, putting them all under the umbrella of a single entity known as the Hong Kong Investment Bank. The move is intended to sharpen the group's competitive edge in a fiercely competitive market.

The move affects operations in the capital and securities markets and in merchant banking, and comes less than two weeks after a surprise bid for Seccombe Marshal and Campion, the UK discount house which acts for the Bank of England.

The Hong Kong Investment Bank, which Mr Peter Schuring, Citicorp's group executive officer in Hong Kong described as "not a legal entity but more a concept," embraces the Asia Pacific Capital Corporation, Citibank's merchant banking subsidiary, Citicorp International Securities, and its newly acquired stockbroking arm, Vickers Da Costa (Hong Kong).

The investment bank will provide the services traditionally linked with these subsidiaries in securities trading, trade finance, syndicated loans, corporate finance, and mergers and acquisitions. At present, local customers account for between 40 and 50 per cent of the business generated by Citibank from its Asian headquarters in Hong Kong.

Investment Bank will have one senior executive—Mr Philip Tose, who has for the past decade headed Vickers Da Costa's operations in Hong Kong.

Sasol well ahead at midway

By Jim Jones in Johannesburg

SIGNIFICANT INCREASES in liquid fuel prices helped boost the interim results of Sasol, the South African oil-from-coal producer and the company has decided to accelerate the repayment of loans from the state.

Turnover was $1.44bn ($700m) for the six months ended December against R1.10bn for the same period of 1984 and R2.46bn for the full year to June 1984. First-half operating income rose to R514.3m from R282.6m and compares with R671.8m for all 1983-84.

The state guarantees Sasol oil prices based on world crude prices. Though crude prices have declined in dollar terms, the rand's own fall against the dollar has meant that Sasol's rand-denominated prices have increased strongly. The company's chemicals division's export activities benefitted from the rand's weakness, but the fertiliser division was adversely affected by weak domestic demand.

The directors expect that second-half profit growth will not be less than that of the first, but say Sasol's interests would be best served by the early repayment of state loans rather than by sharply increasing dividends. A total of R700m will be repaid to the state at the end of the current financial year.

First-half earnings increased to 43.6 cents a share from 36.3 cents and the interim dividend has been raised to 16.5 cents from 14 cents.

John Davies on the chief of a West German industrial gas maker

Messer and Hoechst work as equals

DR HANS MESSER enjoys what is, perhaps, most top business executives5 dream, the independence of running a business closely associated with his family and the security of being part of a huge concern.

For 20 years, he has been a partner with Hoechst, the West German chemical group, in a steadily expanding business producing industrial gases and cutting and welding equipment.

Although Hoechst is by far the larger partner, Dr Messer has kept managerial control while his company, Messer Griesheim, with world sales of DM 1.7bn ($485m) a year, retains a clear-cut identity of its own within the Hoechst group.

FIVE-YEAR PERFORMANCE

	Total sales (DMbn)	Net profit (DMm)
1984	1.70*	n/a
1983	1.63	40
1982	1.60	40
1981	1.57	34
1980	1.39	42
1979	1.21	38

* Approximate only. 1984 profit not yet disclosed.

As the only real outsider, he sits on a managerial committee which brings together the diverse strands of Hoechst's interests the sales of which amount to DM 40bn a year.

While some businessmen would find partnership with a giant uncomfortable, Dr Messer professes to have had no problem since merging his family business, founded by his father in 1898, with Hoechst's similar operations.

The merger agreement is just a basic document of two and a half pages, he says. "Only once in 20 years have I had it in my hands. It's a good sign when you don't have to keep going to a drawer to take out the contract."

Hoechst owns two-thirds of Messer Griesheim, while the Messer family company, Messer Industrie, owns one-third. But *in some ways the partnership* operates more like one between equals. For instance a stockholders' committee, on which each side has two representatives, decides important questions such as investment and financing.

Messer Griesheim's independent streak has been enhanced by its overall profitability—despite recession and structural problems in some of its markets — and its ability to generate *sufficient earnings* to be ploughed back as capital.

"We've never asked Hoechst to put in extra money," Dr Messer says. "Capital increases have always come out of profits."

As the company has built up its capital from DM 30m in 1965 to DM 216m, the Messer family has retained its one-third stake and does not envisage ever letting it shrink.

Messer Griesheim earns 70 per cent of sales revenue from industrial gases, with the remaining 30 per cent coming from welding and cutting equipment. But with many profitable industrial gas markets expanding in West Germany and abroad, this side of the business is expected to make up 80 per cent of sales in a few years.

The company, which delivers industrial gases by pipeline, road tanker and in cylinders, ranks itself in fifth place among world *producers*—after British Oxygen of the UK, Air Liquide of France, Union Carbide of the U.S. and Air Products of the U.S.

Linde, based in Wiesbaden, is a rival in West Germany, Austria and Switzerland, but the two companies have joined forces, through a Swiss holding company, to produce and market industrial gases in France, Benelux and South Africa.

Although the steel market is still likely to offer only limited demand for oxygen, Dr Messer sees strong growth prospects overall for industrial gases. New markets are continuing to open up, including the use of gases in the preparation and packing of foods. In the steel business, the increasing importance of alloys is boosting demand for argon.

The company is particularly keen to expand in the U.S., where it has been building up its production of gases during the past 10 years.

Messer Griesheim's welding and cutting business is being overhauled, after turning in a loss in 1983. The division expects to break even by the end of this year and to return to profitability next year.

Apart from recession and structural changes (such as the decline of shipbuilding), the whole welding and cutting equipment industry has been confronted with *technical* changes in its clients' operations. These have included introduction of new materials, use of thinner sheet metal and new construction principles.

To meet these challenges, Messer Griesheim has concentrated its West German production in six *factories instead of* eight, is *strengthening* its marketing and is developing new product lines.

Some areas of business, such as resistance welding equipment, have still been performing well, with an increasing backlog of orders.

A new range of *cutting* machines will be launched in the second half of this year, while new gas-shielded welding sets are currently being introduced. It has also been co-operating with Reis, a West German company, in developing robots, with Messer Griesheim attaching the *welding* periphery.

The company says that its welding and cutting equipment results were satisfactory only in some sectors last year, partly because of the strike in the metal industries last May and June. But with industrial gas business buoyant, net profit, so far undisclosed, exceeded the DM 40m of 1983 and the company is said to have had overall the best year in its history.

Messer Griesheim's foreign business, notably in industrial gases, has grown in recent years to well over 40 per cent of total sales and is expected to make up *50 per cent* in a few years.

Investment, running at about DM 140m a year, is being directed primarily at increasing industrial gas production, including a *DM 25m expansion of* capacity at Oberhausen.

Dr Messer, now 60, entered the family business immediately after the war and combined the task of running a factory with university studies in chemistry and economics. He took over management of the whole company in 1953 at the age of 28 and negotiated the Hoechst merger in 1964.

As well as balancing the roles of independent businessman and *Hoechst associate, he has been* actively involved in industry associations. He was elected president of the Frankfurt chamber of commerce four years ago and is a committee member of the West German Industry and Commerce Association (DIHT).

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½%
Armco Trust Ltd.	14½%	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst.& Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons.	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½%
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12¾%	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½%	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp.	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp	15½%		
First Nat. Secs. Ltd	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

RESOURCES REVIEW

World's nuclear industry takes a breather

By David Fishlock, Science Editor

NO INDUSTRIAL accident has had such a traumatic effect on its associated industry as that to a nuclear power plant on Three Mile Island in Pennsylvania seven years ago.

"TMI was the nadir," says Dr Hans Blix, director-general of the UN's International Atomic Energy Agency. It came at a point when world demand for new nuclear plants was already severely depressed by soaring world energy costs and the consequent recession. Since then the U.S. has not ordered another power reactor and may not do so before the 1990s.

TMI caused every nation with nuclear reactors to pause and reconsider. Austria, Sweden and Switzerland held referenda. Austria voted against the start-up of Zwentendorf, its first nuclear plant, which to this day remains mothballed. Sweden and Switzerland voted for more reactors and today depend heavily on nuclear plant for their electricity.

Most nations soon concluded that the TMI accident "can't happen here"; that it was a unique combination of circumstances that are avoidable, and TMI's owners and the U.S. regulatory system were at fault. Today, 25 nations have electricity-producing reactors in operation and seven are set to join them soon.

Politics is proving a more complex impediment to nuclear power. Although the Soviet Union and other Comecon countries are clearly in favour of more nuclear electricity, and impeded only by the technical difficulties of building reactors fast enough, the Left elsewhere has grown increasingly hostile—except in France.

In West Germany, the Social Democrats, previously staunch supporters, began to oppose it. In Spain, the new Socialist Government severely curtailed an ambitious nuclear programme and cancelled five plants. In Britain, the Left has become ambivalent towards nuclear energy in general, and downright hostile to new projects such as the Sizewell and fast breeder reactors.

"The nuclear industry, after a period of very rapid growth, has entered a period of slower expansion," Dr Blix said in his latest annual report on the health of the international nuclear community.

Several countries are using the "breather" to explore previously neglected opportunities. They are trying to simplify and shorten licencing procedures with standardised reactor designs such as Convoy in West Germany and Sizewell in Britain. Nuclear combined heat-and-power schemes, especially those in the Soviet Union, are being re-examined. Russia is also building heat-only reactors, located at the city limits.

Through the IAEA, experience in plant reliability is being collated to pinpoint precisely which parts are breaking down, and in which countries. This data bank is beginning to reveal why small countries like Sweden and Finland get a much better reactor performance than pioneers such as the U.S. and the Soviet Union. World-wide plant reliability is gradually improving now that the scramble for ever-greater economies of scale has ended, and attention has focused on the causes of breakdown.

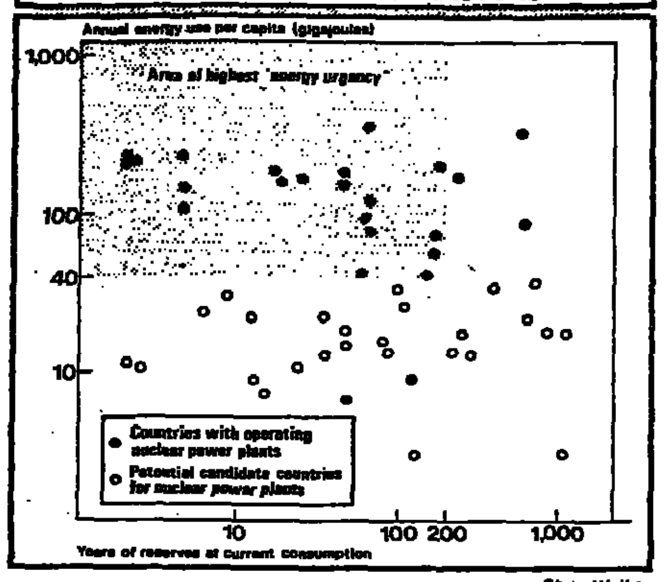
The world has 344 nuclear plants producing electricity today: a total capacity of over 219,115 Mw, or 40,000 times the record electricity demand met by the Central Electricity Generating Board earlier this year. Europe has over 120 plants in operation, compared with 84 in the U.S., about 56 in the Comecon countries, and about 36 throughout Asia, mostly in Japan.

Within the EEC, nuclear electricity is growing faster than other energy sectors. The Community's dependence rose from 22 per cent in 1983 to 26 per cent last year, and is expected to reach 30 per cent this year with the introduction of another 11,000 Mw of nuclear capacity. Belgium and France are already about 50 per cent dependent on nuclear electricity.

For comparison, nuclear capacity worldwide accounts for only 8 per cent of installed capacity and 13 per cent of electricity production. The IAEA forecasts that this will reach 20 per cent by the year 2000.

France, with 41 reactors producing electricity, has been the pacesetter. Some 34 of them are French-built versions of the Westinghouse pressurised water reactor, subject of the Sizewell public inquiry over the past two years. Since 1977, France has commissioned a new PWR every three months on average, says M Jean Guilhamon, director-general of Electricité de France. The nation is nearly 60 per cent dependent on nuclear electricity and expects this to rise to around 75-80 per cent—similar to Britain's dependence on coal.

WHO NEEDS NUCLEAR REACTORS?



Chris Walker

Of the 25 countries with nuclear plants in use, 20 fall into the area of highest "energy urgency," top-left of the chart, in the IAEA market analysis. The borderline case is Brazil. Outside the shaded area of high energy consumption but low resources lies South Africa, the U.S. and Russia (high resources) and India and Pakistan (relatively low per capita energy consumption). The Philippines will shortly become the 26th non-nuclear nation. The IAEA says that some of the 25 non-nuclear countries clustered below the shaded area could have reactors within two decades.

Belgium—planning to share a new plant with France—is running it close, with six reactors providing about 51 per cent of its electricity.

West Germany took a five-year "breather" to reconsider its previous plans for heavy nuclear dependence. It has resumed construction on a more modest scale, but already exceeds 20 per cent nuclear electricity. Four big new PWRs came on-load last year. It claims the world's most productive reactor, the 1,240 Mw Grafenrheinfeld station.

Britain's advanced gas-cooled reactor, however, has proved painfully slow to commission and bring to high performance. A cynical observer has commented that Britain staged the protracted Sizewell inquiry to distract attention from the fact that it is commissioning three new nuclear stations simultaneously—a potential 3,500 Mw of nuclear power — although their full potential may not be realised for a few years yet. Last year Britain reached 17 per cent nuclear electricity (Scotland exceeded 50 per cent). All reactors now under construction could bring the national figure to about 25 per cent—but not before the end of the decade.

Outside the EEC, Sweden is bringing the last two of a 12-reactor nuclear programme up to full power, when they will be providing 50 per cent of the nation's electricity. Since a referendum in 1980 voted in favour of nuclear power for 30 years, Sweden has tripled its nuclear capacity without public protest.

Finland, a showcase for the reactors of both East and West, is getting about 40 per cent of its electricity from four plants which all perform outstandingly.

Switzerland, with a fifth reactor coming up to full power, expects to reach 35 per cent nuclear electricity this year. Its second referendum last summer confirmed overall public confidence.

Russia is second only to the U.S. in the number of its operating nuclear plants. Its total of more than 40 includes what the chief Soviet nuclear adviser, Academician Andrei Petrosyants, calls "the most powerful reactor the world has ever seen." This is a 1,500 Mw reactor, compared with 1,300 Mw for the biggest in Europe and 1,250 Mw in the U.S.

This RBMK reactor is of a type unique to the Soviet Union, designed for the dual purpose of producing plutonium for weapons and power. Russia does not export this reactor; even though it has found the RBMK easier to build than its 1,000 Mw PWR. The Russian PWR has been exported to several Comecon partners, as well as to Finland.

By the end of 1984, 91 U.S. reactors were declared "operable" although 10 of them were still not in commercial service. Seven were licensed to start last year. Almost every U.S. nuclear plant is unique in design — in stark contrast to France with 34 standard 900 Mw PWRs.

As in Europe, there are parts of the U.S. where nuclear power does not compete with indigenous hydrocarbon resources, and other areas that are coming to depend heavily on nuclear power. Among the biggest users are the Chicago area (45 per cent nuclear electricity) and New England (35 per cent).

Canada, likewise, has a relatively low national commitment to nuclear electricity (12 per cent at present), but the figure for Ontario province is 35 per cent.

Japan, like West Germany, went through an agonising reappraisal in the 1970s, concluding that nuclear electricity was the way ahead. It has 28 reactors in operation, providing about 20 per cent of its electricity. No other Asian nation has reached double figures with operating reactors, although several—including South Korea, India and Taiwan — have ambitious programmes.

Japan is one of three nations so far which offer financial inducements to those living close to nuclear facilities. Prof Yasumasa Tanaka, a psychologist from Gakushuin University, told the Uranium Institute's annual meeting in London that as many as four different kinds of payment, direct or indirect, are available.

France, to the initial chagrin of its electricity industry, introduced the notion of cheaper electricity for those living or working within 15 km of a nuclear plant. Today the industry has few doubts about its success in helping to win acceptance. But a court ruling last month declared the discount invalid.

Italy, long frustrated by the difficulty of finding publicly acceptable sites for new reactors—it has only 5 per cent nuclear electricity at present—is now introducing a financial inducement for municipalities and regions willing to accept reactors.

There is no evidence of an early return to the reactor ordering bonanza of the late-1960s. Indeed, in the U.S., lengthy delays in negotiating licences because of a tortuous regulatory system have led to many cancellations, even of reactors far advanced in construction. The owners could see no hope of an economic return.

In the 1960s, U.S. capital and fuel cycle costs for a reactor each accounted for some 40 per cent of generating cost, with the other 20 per cent for operating and maintenance. But capital costs soared to 70 per cent of the total by the early-1980s.

However, manufacturers have taken advantage of the slow-down to study future reactor requirements. For example, Mitsubishi and Westinghouse have collaborated in a joint design for the advanced PWR. It needs to refuel only every two years instead of annually, so reducing the time it spends out of service. The APWR is expected to be ready for orders in the late-1980s—probably first in Japan.

But there is a growing consensus that what could open a big new reactor market, spanning perhaps 25 countries (some already having reactors) is a small commercial reactor, in the 200-500 Mw range, compared with today's 600-1,300 Mw commercial reactors. About 140 of today's reactors may be described "small," but many are also elderly—up to 30 years old.

IAEA studies suggest a potential market for as many as 100 new small reactors among the developing countries, if some obstacles can be overcome, such as questions of finance and of creating an appropriate technical infrastructure (see accompanying chart).

Several possible designs have been put forward as competitive power sources. The Swedes have aroused considerable interest with their advanced Pius concept for an inherently safe and simple reactor for this market. Ironically, Swedish law forbidding construction of more reactors prevents the Swedes from demonstrating their Pius design at home.

Unilever surprises the City with £924m

BY MARTIN DICKSON

Unilever, the Anglo Dutch food and *consumer products group*, pleasantly surprised the City yesterday with 1984 pre-tax profits of £924m—20 per cent above the £769m of 1983 and well ahead of market expectations.

Unilever's share price rose sharply on the news, closing last night at £12½, up £1 on the day.

Sir Kenneth Durham, Unilever's chairman, said the results *reflected the company's concen*tration on its core businesses—consumer goods, specialty chemicals, plantations and selected activities of UAC International.

The results include an £86m extraordinary charge, taken in the fourth quarter, to cover recent and forthcoming disposals of businesses not regarded as central to the company's strategy.

The company had a turnover of £16.1bn in 1984, up from £13.3bn in 1983—a rise of 21 per cent on the basis of exchange *rates at the close of the* year and 12 per cent on a comparable basis, which reduced the effect of fluctuating currency movements. Measured on a comparable basis, pre-tax profits were up 14 per cent.

The profit attributable totalled £497m, a rise of 30 per cent on the £382m recorded in 1983. The group's combined earnings per share *are 133.8p, as against* 102.84p in 1983. Unilever Plc is declaring a final dividend of 24.03p (20.29p) a share, making a total for the year of 35.52p (30.86p).

Europe produced particularly good results for the group, despite the impact of EEC milk quotas on the animal feeds division and butter subsidies on the *margarine market. Frozen food*, other food and drink and some recovery in the packaging businesses made major contributions to the overall gain. Sales in the EEC were up from £7.6bn to £8.7bn and operating profits from £258m to £328m.

In North America, sales were up from £2.1bn to £3.09bn, helped by acquisitions, while operating profits rose from £140m to £187m. Lever Brothers in the U.S. heavily invested in new products, while both Lipton and National Starch made a good contribution.

The company has been test marketing two new liquid softeners in the U.S. during the past year, which *Sir* Kenneth said had done extremely well and would be launched nationally this year to compete with Proctor and Gamble's products.

Unilever's Canadian companies —where there has just been a *change of top management*— produced lower results, while UAC International's results "remained at a low level." Other businesses outside Europe and North America improved by 18 per cent, with plantations a particularly good performer.

The results do not include any contribution from Brooke Bond, which Unilever bought last October in a contested takeover. *Its fourth quarter profits* will be taken into the group's 1985 results.

Sir Kenneth said he was confident the Brooke Bond acquisition would "more than meet expectations" and would make a *good contribution for 1985*, even after taking into account the financing costs of the purchase.

He said there were operations *in Brooke Bond which did not* fit with Unilever's long term strategy and these would be sold in due cour/:.

The £86m extraordinary charge — much reduced for the full year by a £60m UK deferred tax release in the third quarter — is a "prudent provision" to cover *the disposal of various* businesses—both profitable and unprofitable — which the company does not see as central to strategy.

Sir Kenneth said the sum included provisions for the previously announced sales of the SPD distribution group, Norfolk Line, MacFisheries and BEAM, *an office equipment distributor.*

He would not be drawn on what other disposals were planned, though there has been speculation that Brooke Bond's timber interests are likely to be high on any sales list.

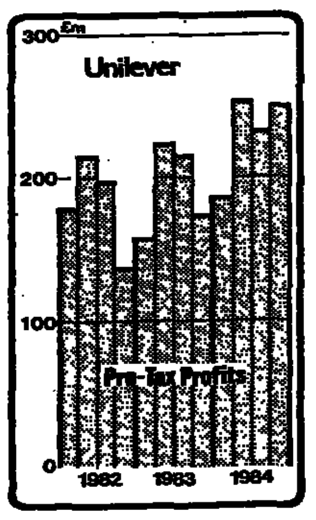
The 1984 results also include exceptional items of around £55m (£48m in 1983) for r.structuring the company's continuing businesses, mainly in the UK and West Germany.

Sir Kenneth said the group was also reviewing the strategy for UAC, which had been adversely affected by trading conditions in West Africa, particularly Nigeria.

In Nigeria, Unilever's trade debt outstanding *fell* in *1984 from* about £125m to about £105m, with the proportion insured remaining the same—80 per cent. Of the insured amount, the company had received about £50m from the

In the final quarter of 1984, the group had a turnover of £3.95bn, a 13 per cent rise on 1983, and pre-tax profits of £201m, up *16* per cent on the £173m of the previous year. Europe showed a significant improvement with results up 25 per cent, and North America was also bouyant, with results up 30 per cent.

See Lex



Sir Kenneth Durham . . . core businesses behind the improvement.

A & A selling Howden offshoot

By Terry Dodsworth in New York and John Moore in London

ALEXANDER & Alexander Services, the second largest insurance broker, has put its Sphere Drake insurance interests up for sale.

The announcement that it is disposing of the Sphere Drake business, the parent company of which is based in the UK, was coupled with a warning that provisions for an increase in loss reserves in the Sphere in loss reserves in the Sphere Drake operations would produce a "significant" loss for the group for the final quarter of 1984.

Alexander & Alexander's year end results would be "substantially affected" by the provisions.

Mr John Bogardus, the chairman of Alexander and Alexander, *said he did not* anticipate that the results would affect dividend policy. But the loss suggests that a dividend will not be covered *this* year.

Irregularities

Sphere Drake was acquired by Alexander and Alexander as part of its purchose of the Alexander Howdon Group three years ago. Since then Alexander and Alexander has uncovered a *series of irregularities* in the Howden empire.

In ¼1983 Sphere Drake reported a £23.5m deficit in the profit and loss account for the year ended December 1922, as a result of allegedly irregular reinsurance deals and general underwriting trends.

Mr Ian Dean, chairman of Sphere Drake, said yesterday that the latest problems did not relate to past alleged irregularities, but laregly related to adverse *conditions* on the trading front.

Mr Bogardus said in the U.S. that there had been "adverse developments" on U.S. casualty business, which included date notices on asbestosis claims and an increased frequency of claims on other general insurance lines.

The companies which are to be disposed of are Sphere Drake Insurance; Sphere Drake Underwriting Managers; Sphere Drake (Canada); Sphere Drake Underwriting (Australia); Sphere Re of Canada; Groves, John and Westrup (Underwriting); Atlanta International Insurance; and a 20 per cent stake in Paladin Re. The existing management will also stay with the companies in any sale.

NatWest above expectations with advance to £671m

National Westminster Bank, the first of the big *four clearers* to report its 1984 results, has made excellent progress in the year. Pre-tax profits were up 30 per cent from a restated £518m *to £671m* compared with market estimates in the £625m to £650m range.

Lord Boardman, the chairman, said the record figures had been achieved despite substantial additional provisions and *rest on* sound growth in the business, good marketing of group services and firm control of costs.

The underlying trading performance across the group was significantly better and was achieved in highly competitive trading conditions, he added.

The year's tax charge, however, was more than trebled at £377m (£117m). This represented 56 per cent of group profits and reflected a £254m charge (£36m credit) *for* deferred tax. As a result, after *allowing for* minorities and preference dividends, net profits were down from £396m to £286m.

Stated earnings per £1 share fell from 128p to 88p. A final dividend of 16.34p net makes a total of 28.34p on capital increased by last July's £236m rights issue (31.2p in 1983 on capital prior to the rights). After adjusting for the *issue, the* payment is up from 24.1p to 25.6p.

The charge for bad and doubtful debts rose by 33 per cent *from £264m to £351m*, reflecting the group's continuing cautious view of world trading conditions. An amount *of* £241m (£178m) was allocated to specific provisions, of which the international contingent more than doubled to £137m (£60m).

Lord Boardman defended this sharp increase on the international side. NatWest was not being "gloomy," he said. "We are, we hope, being prudent and properly cautious."

There had been signs of some improvements in certain countries but *he added "overall we* have continued our cautious policy of provisioning, particularly in cases where we feel that uncertainties in the financial markets are likely *to impact.*"

The chairman pointed out that NatWest's exposure to countries which had run into liquidity problems was lower than most other major U.S. and UK banks.

In the UK the group reduced its specific provisions from £118m to £104m, but Lord Boardman said further progress depended on continuing the improvement in trading and operating efficiency of UK industry.

The number of receivers appointed by the bank fell from 109 to 75 last year, *he stated.*

The cumulative provision of £918m, compared with £670m at the end of 1983, represents 2.1 per cent (1.9 per cent) of amounts due from customers.

Operating csts in 1984, excluding the provision for bad and doubtful debts, increased by 14 per cent to £1.84bn.

Net interest income after charging loan capital interest was up 14 per cent to £1.75bn (£1.54bn). Volumes were higher and *in currency* business, exchange rates had a significant impact. Sterling advances grew by 17 per cent. Overall income rose by 19 per cent to £2.83bn (£2.37bn) taking account of commission, higher investment income and foreign exchange earnings.

Trading surplus of the bank and its subsidiaries was ahead from *£489m to £639m. Associates* added £32m (£29m). A divisional breakdown reveals domestic banking *£405m* (£242m) or 60 per cent (47 per cent); international banking £171m (£187m) *or* 26 per cent (36 per cent); related banking services £95m (£89m) or 14 per cent (17 per cent).

UK domestic banking had an excellent trading year and good business growth. Tight control of costs together with significantly higher income improved retail banking performance. Subsidiaries performed well with good profits from NatWest Home Loans.

On the personal banking side, NatWest expanded its customer *base by* 120,000 while its home loans business pushed up profits from £22m to a record £60m. Lord Boardman said the home loan book now stood at almost £3bn, with the bank prepared to increase this figure by another £1bn this year.

In international banking there was further growth in trading performance. But a higher level of provision, the *greater part* of which relates to Sovereign Debt, resulted in a lower overall contribution. National Westminster Bank USA again produced *record results.*

On a current cost basis, pre-tax profits were 32 per cent higher at £576m (£438m).

With effect from January 1, 1984 the amount credited to the P and L account from income from assets leased to customers and regional development grants has been *grossed-up* to reflect its tax-free nature. Comparative figures have been restated accordingly.

The bank has set aside an additional £650m in provisions following the changes in the treatment of capital allowances in last year's Budget. But the combination of proceeds of the rights issue and the $500m undated subordinated notes issue "*has significantly strengthened* our overall capital position," Lord Boardman said.

The group's balance sheet had grown by 19 per cent to £71.52bn (£60bn), he added, although after stripping out exchange rate variations the growth was a more moderate 8 per cent."

The shares closed yesterday up 10p to 653p.

See Lex

Glass Glover £7.4m cash call

BY ALISON HOGAN

Glass Glover, the fresh produce importer and food distributor, is raising £7.38m via a rights issue to finance the expansion of its marketing activities by both acquisition and organic growth.

The group has been gradually developing its activities from the core *fruit and vegetable business*, adding value to the products through packaging, and expanding its distribution business.

The rights is on a one-for-three basis at 238p a share.

Glass Glover recently announced the acquisition of Rankins Fruit Markets, an Edinburgh - *based* company, taking it into the marketing of flowers and plants. It has also purchased a new warehouse and office complex at Harlow, Essex, which has the technology to warehouse chilled foods prior to distribution to supermarkets around the country.

The company has been increasing the range of foods it distributes to include dry groceries and chilled foods as well as fruit and vegetables and, as a result, is successfully building up its contract distribution business.

Some of the rights issue funds will be used to finance the costs of new distribution centres to be opened in Luton, South Wales, Yorkshire and Scotland.

A new packing plant is also to be opened in Scotland to support the group's growing involvement in the marketing of local produce in the Clyde Valey area.

Glass Glover says that recent acquisitions will not contribute significantly until 1986, but the current *financial year to September* wil be "satisfactory."

The board has already recommended a final dividend of 2.075p (1.875p) making a total for the year of 3.45p (3.125p). It expects to be able to pay at least the same rate of dividends this year on the enlarged rights share capital

An AGM will be held on March 28, and dealings in the new shares are expected to begin the following day. Montagu, Loebl, Stanley are brokers to the issue.

● comment

Even before the supermarkets started giving such prominence to the mountains of fresh fruit and vegetables in their stores, Glass Glover was making good profits from its traditional business. It has planned well to capitalise on increased demand, not just in the variety and sourcing of produce, but in the service to clients through improved warehousing facilities and an expanded distribution network. *All these developments* are costly and the rights issue seems a quite reasonable call upon shareholders in return for the expected benefits which will only fully come through in 1986. The group could make £2.3m pre-tax in the current year up from £1.12m which puts the shares down 5p at 270p on a prospective ex-rights p/e of nearly 20.

Turriff shares dive on warning of halved profit

BY PAUL HAM

Turriff Corporation, the builder and property developer, yesterday announced that it expected a pre-tax *profit of about £1m for* the year to December 31, 1984, down 50 per cent on the year before.

In 1983 Turriff made a pre-tax profit of £2.043m and paid a 7p dividend. The estimate for 1984 would mean the largest reduction in profit for the company in 10 years.

Following the news Turriff's share price fell 45p on the Stock Exchange to close last night at 300p.

Mr W. G. Turriff, chairman, explained that the poor result was due to the "difficulties and delays" involved with assessing final accounts of large, long-term projects which the company was undertaking.

A company spokesman said that while he could not name particular contracts, the average life of Turriff's major contracts was two years which made final accounting difficult, particularly in 1984 when the number of contracts actually increased.

Turriff made a pre-tax profit of £509,000, up from £473,000, in *the first half of 1984. At the time* Mr Turriff said that traditionally the group's profits came through in the second half.

Turriff made the profit esti mate in a letter to shareholders sent yesterday which announced the company's intention to buy the remaining 51 per cent of Engineering Support Services within three years.

Turriff last month bought 49 per cent of ESS, a Reading-based producer of technical and computer manuals, for £625,000 cash.

Turriff's estimated halving of *profits marks the end of six years* of steady if unspectacular growth, during which profits rose from £1.06m in 1977 to £2.04m in 1983, turnover increased £20m to £61.78m and dividends tripled to 7p.

Mr Turriff said the board was confident about prospects for 1985 and beyond. The company last June bought 50 per cent of Abelson Plant Holdings.

UK COMPANY NEWS

Michael Cassell on Tarmac's overseas expansion plans

Building on American offensive

HAVING SPENT six years wiping out the impact and then the memory of some disastrous contracting adventures abroad, Tarmac is again stepping up its search for overseas earnings.

Britain's biggest construction and building materials group will this spring be announcing 1984 performance figures showing another big increase in pre-tax profits.

Apart from confident predictions of still-higher profits in 1985, plenty of emphasis will also be placed on the growing contribution now expected from Tarmac's fast-expanding American operations.

With pre-tax 1984 estimates of over £105m now certain to be proved right, Tarmac will have managed to quadruple its profits since the crisis days of 1978 when, reeling from the impact of huge losses in Nigeria, the group turned to new management.

Under Mr Eric Pountain, now chairman, Tarmac pulled back from overseas markets to lick its wounds. Plans to derive as much as 25 per cent of group turnover from overseas activities were put into reverse and the figure was brought down from around 20 per cent to 10 per cent, described at the time as "the correct proportion."

But in the eyes of the City, while Tarmac's lower international profile might have reduced the risks of calamity it also left the group looking dependent on a none-too-predictable domestic market place, potentially unable to offset any weaknesses at home with improved earnings from abroad.

Given the group's own recognition that its recent, spectacular growth rate could not be maintained from UK markets alone, the balance between home and overseas business has now started to swing back the other way. In 1985, over 20 per cent of group turnover—likely to exceed £1.5bn—will be derived from abroad. Now, however, the emphasis has switched from contracting—the source of its earlier problems—to the development of asset-based businesses.

Though the group remains active—with varying degrees of commitment—in part of Europe, the Middle East, South Africa and South America, the recent emphasis on overseas markets has so far been most obviously directed towards the U.S. Tarmac is not foolish enough to suggest its latest foreign foray is without risk but it has chosen carefully, moved cautiously and stuck to the business it knows best.

After a string of acquisitions dating back to 1980 and culminating in the £66m purchase last October of Lone Star Industries' interests in Florida, Tarmac is beginning to make a real impact in two of America's principal growth markets—Florida and Texas.

The Lone Star deal leaves Tarmac earnings undiluted, all but doubles the capital employed in the U.S. to about £100m—around one quarter of the group total—and is thought to have pushed up current U.S. turnover to well over $200m. The U.S. contribution to 1985 pre-tax profits, which should exceed £130m, could rise from under 5 per cent to around 10 per cent of the total.

The U.S. expansion has been carried out through the group's quarry products division, which last year contributed half of total profits, a percentage which is expected to rise in 1985.

The American offensive began in September 1980, when Tarmac paid just over £3m for a small ready-mixed concrete producer and block-making operation. Since then, it has acquired several aggregate and building product operations with proven managements and useful market shares.

With its combined Florida and Texas operations now producing 4m cubic yards of ready-mixed concrete a year, the group can claim to be among the largest producers in the U.S.

By the time the Lone Star deal in Florida came along—a sale was forced on the owners by mounting debts elsewhere within its organisation—Tarmac had already picked up 12 local ready-mixed plants and four block-making plants but it remained totally dependent on other suppliers for aggregates. In Lone Star, however, it has not only acquired another 33 ready-mixed units and nine block plants but its own, all-important source of aggregates.

A massive, underwater quarry at Pennsuco, north west of Miami holds an estimated minimum 100 years of limestone reserves and a current extraction rate of around 6m tons a year will rise—without any increase in labour—to between 10-12m tons by the end of next year. Tarmac has also taken on three other quarries on the Florida Keys.

As a result of last year's Lone Star purchase, Tarmac appears to have around 12 per cent of the Florida aggregates market, possibly as much as 20 per cent of the ready mixed market and not much less when it comes to sales of concrete block, a major building component in a part of the world where termites make a quick meal of wood.

According to Mr Pountain: "We wanted to follow the same strategy as in the UK. We started off at the value-added end of the business, in blocks and ready mixed and, when we had satisfied ourselves of the potential, we set out to secure our aggregate backing.

"Lone Star was essentially an asset purchase, offering us a firm operational base and plenty of potential for growth. The acquisition will pay off from next year onwards, when the gearing up of the quarries will produce a dramatic change in costs."

Shortly before the Florida deal, Tarmac again put its philosophy into practice and stepped up its Texas operations via the £13.5m acquisition of Chico Crushed Stone, owners of a limestone quarry north of Fort Worth and containing over 100m tons of limestone reserves.

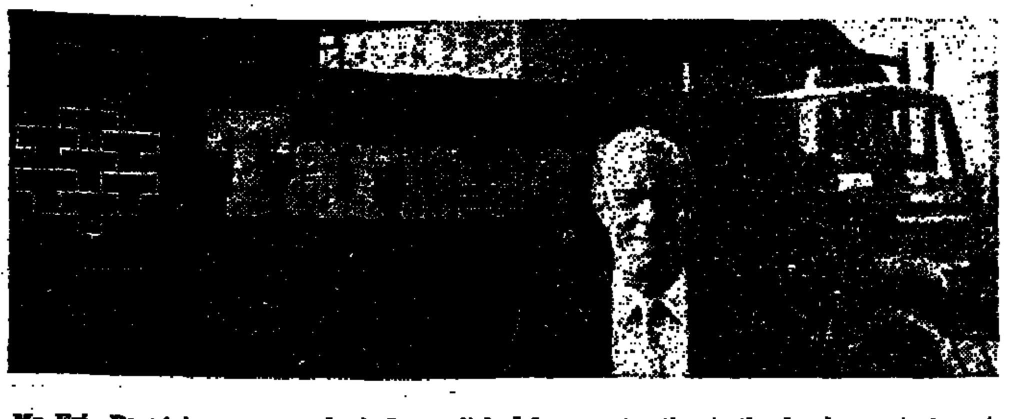
It also purchased Cen-Tex Ready-Mix Concrete, a ready mix, sand, gravel and trucking business based at Killeen, south of Dallas-Forth Worth.

The latest additions have stepped up the need for Tarmac to put a fully integrated management structure into place and Mr Roy Kettle, a group managing director who is overseeing the U.S. expansion, says he will stay as long as it takes. He thinks Tarmac will be reluctant to spread operations beyond Florida and Texas, though such a move is not out of the question.

Now that base aggregates have been secured, a period of organic growth, supplemented by further acquisitions, lies ahead. According to Mr Kettle: "We have not finished by any means."

As for other Tarmac operations extending to the U.S., a team from the group's housing division—which will build over 8,000 homes in the UK this year—is about to fly in to investigate the market.

Housing is booming in Florida and Texas and Tarmac believes it might well have a few things to teach the Americans.



Mr Eric Pountain . . . . emphasis has switched from contracting to the development of asset-based businesses

'An asset purchase, offering a firm operational base and plenty of potential for growth'

Sperry takes up option to back Mnemos

By Alexander Nicoll

THE U.S. computer group Sperry Corporation has invested $5m (£4.7m) in Mnemos, the USM-quoted manufacturer of data storage systems, and has won a licence much expanded from that envisaged when an option agreement was signed in October.

In return for its investment, Sperry gets 5m new shares in Mnemos—quoted yesterday at 60p, up 7p—and a 15-year licence to market Mnemos equipment for most foreign military applications as well as for aerospace and marine uses.

The original agreement foresaw marketing only to the U.S. military and Government, and Mnemos said Sperry had exercised its option following substantial interest in Mnemos products—with as yet no firm orders.

The option and its subsequent exercise were seen as a victory for Mnemos, which had sought for a long time to win acceptance of its System 6000 equipment. Mnemos equipment locates faults in electronic circuitry and is also designed for storage and retrieval of large amounts of information such as that in technical manuals. Development of the systems had virtually exhausted all Mnemos' resources, and it still has no orders for them.

Sperry's investment will give it a 9.6 per cent stake. But it has also been granted the right to buy a further 5m shares, subject to approval by Mnemos shareholders, during the next three years. The exercise price will be the lower of $1.50 per share or market price, and must not be below 50 cents.

Combined Technologies, headed like Mnemos by Mr James Longcroft, also chairman of Tricentrol, will see its stake in Mnemos fall from 62 per cent to 53 per cent as a result of Sperry's present investment, and to 47 per cent if Sperry exercises its second option.

Comtech has also guaranteed to buy back, if Sperry wishes, the 5m shares now being issued to the U.S. company, at 50 cents per share.

Should Mnemos' manufacturing facilities be unable to cope with demand, Sperry has the right to produce Nnemos equipment outside the U.S. itself and will pay a royalty of 9 per cent, increased from 4 per cent previously.

Grand Met expects sharp decline as U.S. problems grow

BY JOHN SHEPHERD

Grand Metropolitan yesterday warned that group taxable profits for the first half of the current year were likely to be significantly down on the £147m achieved in the corresponding period.

Mr Stanley Grinstead, chairman and group chief executive, told shareholders at the annual meeting that "without our current, rather special problems" in the U.S. Grand Met would have easily earned £350m in 1984-85.

Grand Met's share price shed 5p yesterday to finish the day at 277p, giving a market capitalisation of £2.12bn.

Over the past five years group taxable profits have more than doubled from £152.1m to £334.3m in 1983-84.

Lower profit margins on sales of Liggett & Myers' (L & M) generic and private label cigarettes were, he said, mainly responsible for a fall of $20m (£19m) in the operating income of U.S. consumer product activities in the first quarter.

"Therefore it seems inevitable that the group's profits before tax for the first half of the current year will be significantly lower."

Grand Met surprisingly abandoned attempts last summer to dispose of L & M, citing "development in the pricing of cigarettes" as the main reason.

Responding to a shareholder, he said that there was "no profitability at all from this activity at the present time."

L & M was acquired for around $590m (£248.9m at prevailing exchange rates) in August 1980. Although relatively small in the U.S. tobacco industry it has reversed a sharp decline in market share over the previous 30 years.

Last August Grand Met continued its strategy of expanding its "branded" consumer services in the U.S. with the acquisition of Quality Care, a leading operator of home nursing services.

The deal was funded by a vendor placing two months ago of 37m new shares, raising £107m.

Despite Grand Met's setback in the U.S., the chairman was confident that the higher rates of growth expected of Grand Met would be achieved beyind the current year.

Asked about the identities and positions held by two employees who earned in excess of £320,000 each last year, Mr Gristead declined to say who they were, but said their "remuneration reflects the market place."

Two publicans complained to Mr Grinstead about the high level of rents for public house tenants. He pointed out that rents were geared towards profits potential and that tenants had the right to negotiate.

A CAMRA representative asked about the closure of the Norwich brewery. The chairman said that it was not large enough to be converted to production of lager, which accounted for around 40 per cent of beer consumed.

Speaking about the future of the Lyceum in The Strand (venue of the annual meeting), he said, it would be refurbished and restored "to its former glory." Although the terms for a new lease were not yet final, he said that it would run for between 100 to 125 years.

Questioned about the future of milk deliveries to the doorstep Mr Grinstead said the group would continue them "as lang as it is economic to do so."

Mr Stanley Grinstead

Rights & Issues

Net asset values of Rights & Issues Investment Trust's income and capital shares improved to 48.5p (47.9p) and 116.2p (113.1p) respectively over the 1984 year. Net revenue advanced from £116,222 to £131,491 after tax of £64,243 (£72,230). A final dividend per income share of 2.8p net makes a same-again 3.8p Final divided on the capital shares is 0.19p (same).

British Air Ferries to join USM next year

By Alison Hogan

BRITISH AIR FERRIES, air transport and aviation engineering group, is planning to come to the Unlisted Securities Market next year.

The existing management, led by Mr Robin Pesskin, chairman, acquired the company in March 1983 from the Southend-based Keegan group. They have turned the company from a lossmaker to a position where it is expected to make a trading profit of £1.3m on turnover of £17m in the year to March 1985.

British Air Ferries consists of Guernsey Airlines and Jadepoint Aircraft Engineering. The group, under its holding company Jadepoint, has a number of property assets in the south

Guernsey Airlines has 17 aircraft. Its main routes are to the Channel Islands from locations in England including Gatwick. It has begun a scheduled flight between Gatwick and Rotterdam. The company undertakes freight and passenger traffic and in January signed a two year contract with Shell for the transport of oil personnel from Aberdeen.

The group would have a market capitalisation of about £10m based on its existing business, but that value could increase significantly by the time of flotation, according to Mr Pesskin.

The group is negotiating with other companies in the travel industry, which could result in mergers or acquisitions.

TI joint venture will be 'world leader'

TI, the home appliances and engineering group, and Alco Standard Corporation of the U.S. are creating a 50-50 joint venture to merge their specialised industrial furnace businesses in Europe and the U.S.

The venture, which will be a world leader in its field, starts with combined net assets of $20m (£19m) and turnover of over $60m. TI will have operational responsibility and has an option to acquire the whole within three years.

TI got into the furnace business four years ago when it acquired King Fifth Wheel, a U.S. aerospace component manufacturer. King Fifth's subsidiary, Abar, makes a wide range of vacuum furnaces for metal treatment and coating processes and has a strong position in the U.S.

Alco Standard's Ipsen Industries subsidiaries in the U.S. and West Germany have similar products with a strong presence in Western Europe.

Johnstone's Paints profits down but prices improving

Lower pre-tax profits of £1.52m were achieved at **Johnstone's Paints** for the year to December 1 1984. This compares with £1.93m for the previous 53-week period. Some £1.03m of the 1984 profits were made in the second half, against £1.24m last time.

Mr James Johnstone, the chairman of this Manchester-based paint manufacturer, says that there are now signs in the industry that selling prices are reversing the 1984 downward trend, however.

The final dividend is being held at 2.235p net per 10p share, making a same again 4p total. Stated net earnings for the company, which has its shares quoted on the USM market, were down at 11.26p per share, compared with 13.33p.

Mr Johnstone says that the improvement in the industry gives the company the scope to retain profit margins in the current year, at a time when raw material prices are still increasing due to the strength of the U.S. dollar.

He points out that turnover for 1984 moved ahead, from £10.21m to £10.47m, and says that with an asset base of 75p per share, and over £2m in deposits and short-term investments, the company is poised to take advantage of any upturn in the UK economy.

Turnover to date in the current year is ahead of the corresponding period, he adds.

The company is well on the way to achieving the BS 5750 standard, the new quality assurance system laid down by the British Standards Institutes, he adds. This will enable the company to compete in a market sector not previously available to it.

The Newcastle depot was opened in February, and the company aims to expand its depot network even further in 1985, with new depots in other major cities. This expansion will increase the market share in areas not previously covered in depth.

The chairman says that the company has also now completed the warehouse extension at Droylsden which will enable the factory to meet the expected demand from these new markets.

The tax charge this time accounted for £338,000 compared with £528,000. In addition, there was an extraordinary debit of £196,000, being deferred tax.

Downturn at Technology for Business

HIGHER operating expenses and interest charges were reflected in a fall in pre-tax profits of Technology for Business from £313,000 to £272,000 for the year ended December 31 1984.

Because of acquisitions, the scale of the group's operations have more than doubled. However, the effect of financing the working capital requirements of the enlarged group, prior to the proceeds of the preference share issue becoming available, was to reduce taxable profits by 13 per cent.

The directors feel that this was an acceptable price to pay for the substantially enhanced potential which could result in doubling turnover in 1985. Turnover in 1984 was 77 per cent higher to £4.4m, compared with £2.48m.

The single dividend is raised from 4.2p to 4.62p net. The company, engaged in marketing and servicing of small computers, came to the Unlisted Securities Market in July, 1983, and has "close" status.

With the integration of RAIR, a UK maker of business computers, a much larger base of potential engineering revenue is available, say the directors. They will be paying particular attention to developing this aspect of the business in the coming years.

Overall, the directors expect some economies from rationalisation, and they also anticipate commercial opportunities arising from integration.

In the coming year, the company hopes for a significant contribution from its subsidiary in Germany where the directors say the position appears encouraging.

Performance in the distribution of peripherals has been below expectations, but positive steps have been taken to improve profitability in the coming year, state the directors.

Taxable profits were after charging higher operating expenses of £1.98m against £1.17m and interest payable of £41,300 (£4,000), but included investment income of £7,000 (£26,000). Net profits came out at £246,000 (£291,00), after tax of £26,000 against £22,000.

Earnings per 10p ordinary share were stated at 8.17p against 9.68p.

Pepe allocations heavily rationed

The offer for sale of 5.5m shares in the **Pepe Group** was oversubscribed 20 times. Of the shares available to the public, 28,758 applications were received for a total of 105.78m shares.

Allocations have been scaled down. Applications for 200 to 1,500 shares go into a ballot for 200 shares, those applying for 2,000 to 4,500 receive 200 shares and applications for 5,000 shares or more get 5 per cent of the shares applied for to a maximum of 25,000 shares.

Members of Pepe's staff applied for 294,400 shares.

* * *

H. Young Holdings has conditionally agreed to purchase 88 per cent of **Lacerre** for an initial consideration of £684,444.

Lacerre produced pre-tax profits of £119,000 in calendar 1984. It is based in Cardiff and sells and distributes wines to wholesale, retail and investment clients, primarily in Wales but also in the southern counties and London.

Provident Financial moves up to £19.4m despite miners strike

DESPITE BEING affected by the miners' strike to the tune of at least £2m, profit from **Provident Financial Group** has come to £19.4m in 1984. This compares with £17.6m in the previous year.

In the weekly credit business the underlying quality of the debts has not deteriorated as feared in 1982, and the company has seen fit to bring back the special charge of £1.5m made then.

Shareholders are to receive a final dividend of 7p bringing their total up from 9p to 10.5p net.

The group has made a good start to the current year. Although high interest rates "are unwelcome," the extensive use of interest swap arrangements makes the group less exposed than it was, the directors state.

Development of other businesses in the group continues. Colonnade Insurance Brokers, Whitegates Estate Agency and the merchandising subsidiaries have been expanded significantly.

In 1984 turnover rose from £313.2m to £329m, deferred revenue from £54.9m to £58.4m, and amounts due by customers from £291m to £292.7m. Interest charges were up slightly at £14.8m (£14.2m).

After tax £9.6m (£7.9m) the net profit came out at £9.78m (£9.73m), of which dividends absorb £4.3m (£3.68m) and £91,000 (£86,000) is transferred to preference capital redemption reserve. Earnings are shown to be 23.73p (23.61p) per share.

● comment

The miners' strike has inflicted more damage on Provident's full year figures than might have been anticipated from earlier estimates is largely recoverable—although perhaps not all within the current financial year. Fortuitously the directors have reappraised their bad debt provisions and the £1.5m written-off in 1982 has now come winging its way back into pre-tax profits. Had it not been for that Provident would have undoubtedly disappointed the City. As it is the figures seem £1m or so shy of most obviously dampened expectations for this year. A full point increase in base rates adds around £800,000 to interest costs on an annual basis. Of course, this is eventually offset by increased lending rates, but there is a time lage where the company's margins are squeezed. The use of swops, however, will mute the worst effects of the latest trend. Some £51m of its borrowings (£139m on average) has been switched into fixed rate at a shade over 11 per cent. This year profits could reach £23m which, on a normal tax charge, points to a p/e of only 6.2 at 206p while the yield is 7.3 per cent.

Merchants Trust pays 3p and upgrades forecast

WITH EARNINGS rising from 2.43p to 3.04p per share in the year ended January 31 1985, **Merchants Trust** is lifting its dividend from 2.42p to 3p. The final payment is 1.7p compared with a forecast of not less than 1.5p.

The dividend forecast for the current year is also being upgraded. Last August the directors said they were switching emphasis to income growth and promised a total dividend of not less than 3.5p. They now say this will be at least 3.75p.

At January 31, the net asset value per share was shown at 121.7p. This compares with 107.6p a year earlier, and with 98.6p at July 31 1984. The portfolio was invested as to UK 52 (47) per cent, North America 31 (38 per cent), Japan and Far East 11 (12) per cent, and Europe and other countries 6 (3) per cent.

In 1984-85 income from investments came to £5.96m (£5.41m) and other income was £315,000 (£208,000). Interest charges accounted for £1.33m (£1.25m) and tax for £1.48m (£1.55m).

Resource Technology disappoints midterm

EVEN ALLOWING for the bias in favour of the second half and the short-term effects of reorganisation, profit of **Resource Technology** for the six months to October 31 1984 were disappointing, says the chairman Mr R. J. Stallard. He reports a profit down from a restated £647,000 to £277,000.

An extensive reorganisation is being implemented, involving the rationalisation of recent acquisitions, sterngthening of management of certain operating subsidiaries, and action to take account of changes in 2market conditions.

A major effort is being made to complete the reorganisation, with its short-term disruptions, within the current year, says the chairman. Measures are also under consideration to reduce short-term borrowings and improve earnings per share.

While projections for the second half of the current year show a better result in terms of trading profits than the first, the reorganisation measures should make their first significant impact in 1985-86.

First Venture

First Venture Capital Corporation has made an offer for the issued capital of **Prior Harwin Securities**. The acquisition is subject to approval of shareholders in both companies.

UK COMPANY NEWS

EQUITABLE UNITS

Daily prices as at 5 March 1985

EQUITABLE UNITS ADMINISTRATION LIMITED
35 Fountain Street, Manchester M2 2AF - 061-236 5685

	Bid	Offer	Yld%
Authorised Unit Trust Prices			
Far Eastern	55.4	59.0	0.92
Gilt & Fxd Int	47.0	50.0	9.98
High Income	52.2	55.6	6.56
North American	59.3	63.1	2.39
Pelican—See UT Information Service			
Special Situations	52.2	55.6	3.37
Tst of Invst Tsts	55.1	58.7	2.04

EQUITABLE LIFE ASSURANCE SOCIETY
4 Coleman Street, London EC2R 5AP
01-606 6611

	Bid	Offer
Insurance Fund Prices		
Far Eastern	108.1	113.8
Fd of Invst Tsts	107.9	113.6
Gilt & Fxd Int	95.5	100.5
High Income	103.9	109.4
Managed	100.8	106.1
Money	96.5	101.6
North American	114.1	120.1
Pelican	103.0	108.4
Property	96.5	101.6
Special Situations	103.7	109.2
Pension Fund Prices		
Pens Far Eastern	112.1	118.0
Pns Fd of Inv Tsts	111.6	117.5
Pens Gilt & Fxd Int	95.9	100.9
Pens High Income	106.2	111.8
Pens Managed	103.2	108.6
Pens Money	97.6	102.7
Pens N American	120.0	126.4
Pens Pelican	104.8	110.3
Pens Property	96.9	102.0
Pens Special Sits	105.8	111.4

STOCK EXCHANGE BUSINESS IN FEBRUARY

Turnover declines sharply from January record

BY GRAHAM DELLER

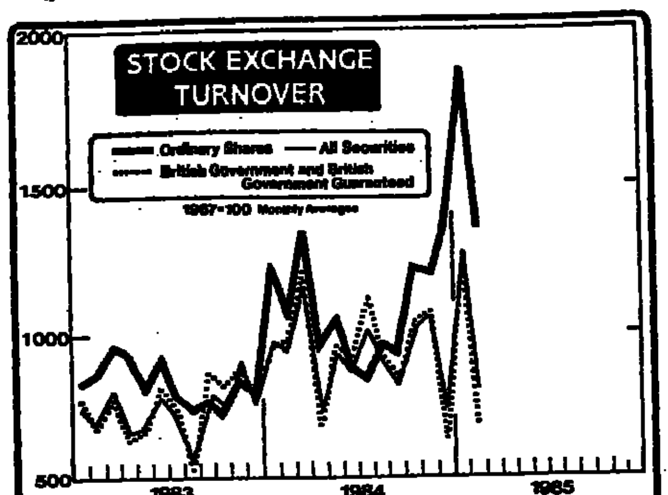
STOCK EXCHANGE turnover last month contracted sharply in all sectors from January's record levels with gilt-edged securities and equities displaying nervousness over sterling's weakness against the dollar.

The decline in business, partly attributable to three fewer trading days in February, was reflected by the Financial Times turnover index for all securities which dipped to 806.1, compared with January's high of 1,258.9. Overall turnover, at £26.31bn, showed a drop of £14.77bn, or 36 per cent, while the number of bargains transacted displayed a commensurate decrease, falling 155,409 to 535,151. The average value per bargain fell £700 to £17,200.

British Government securities, steady at the beginning of February following satisfactory money supply figures, subsequently fluctuated with the ebb and flow of sterling. The rate ''ipped to a low against the dollar of $1,0365 before central bank intervention prompted a sharp recovery in all major European currencies.

Sentiment in gilts was also adversely affected by the disappointing public spending borrowing requirement for January and doubts concerning the Chancellor's scope to implement sizeable cuts in direct personal taxation. Low-coupon stocks received a boost late in the month following Mr Lawson's surprise move to abolish the "dividend-stripping" tax loophole and this helped the FT Government Securities index, which was down to 79.23 on February 12, to close the month a net 0.47 higher at 80.56.

Turnover in short-dated issue s fell £5.49bn, or 39.1 per cent, to £8.55bn, while business in longer-dated maturities and irredeemables declined £6.68bn, or 45.7 per cent to £7.95bn. The Financial Times turnover index for Government securities dipped to 698.4 from the January record of 1,213.6.



Sterling's slide also took a toll on equity business, both institutional and private investors appearing reluctant to either buy or sell. Consumer sectors were particularly subdued ahead o f this month's Budget with sentiment unsettled by the possibility of still higher interest rates. Good trading results from ICI, which became the first UK industrial group to announce annual profits in excess of £1,000m, and Plessey, failed to restore confidence to any great extent and the FT Ordinary Share index closed the month a net 6.2 points lower at 979.9.

Business in equities fell £2.85bn, or 27.3 per cent to £7.60bn, while the Financial Times turnover index for ordinary shares was 1,356.0 against January's all-time peak of 1,846.0.

A minor decline in the FT Gold Mines index during the month — it fell 4.1 to 465.5—disguised some erratic swings in the sector. Bullion's resolute showing early in the month when it held up well in the face of the ever-appreciating dollar boosted the index to 511.4 on the 18th, its best level since early December. However, the precious metals market cracked in the last week of February and sentiment in Golds suffered a sharp reverse, with the index retreating to 441.4 on the 25th before staging a moderate recovery to 465.5.

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain value £000s	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	8,545.2	32.5	25,714	4.8	427.3	332.3	1,286
Others (over 5 years)	7,955.1	30.2	35,578	6.6	397.8	223.6	1,779
IRISH FUNDS							
Short dated (5 years or less to run)	1,199.4	4.6	1,826	0.4	60.0	656.8	91
Others (over 5 years)	513.7	2.0	2,321	0.4	25.7	221.3	116
UK LOCAL AUTHORITY	146.0	0.5	2,378	0.5	7.3	61.4	119
OVERSEAS GOVERNMENT	110.4	0.4	1,833	0.3	5.5	60.2	92
OTHER FIXED INTEREST	239.0	0.9	24,277	4.5	11.9	9.8	1,214
ORDINARY SHARES	7,598.9	28.9	441,224	82.5	379.9	17.2	22,061
TOTAL	26,307.7	100.0	535,151	100.0	1,315.4*	49.2*	26,758*

* Average of all securities.

UK COMPANY NEWS

Gold Fields

Notice To Holders Of Ordinary Share Warrants To Bearer

Interim Dividend

The Directors have declared an interim dividend of 8.5p per share payable on 2 May 1985 to holders of Ordinary shares registered in the books of the Company at the close of business on 29 March 1985 and to holders of Coupon No. 138 detached from Ordinary share warrants to bearer.

Holders of Ordinary share warrants to bearer are notified that Coupon No. 138 will be paid:

in London at:
Midland Bank plc, Stock Exchange Services Department,
Mariner House,
Pepys Street, London EC3N 4DA

or in Paris at:
Credit du Nord,
6-8 Boulevard Haussmann,
75009 Paris, France

or in Zurich at:
Union Bank of Switzerland,
8021 Zurich, 45 Bahnhofstrasse,
Switzerland

on 2 May 1985 or at the expiration of six clear days after lodgement thereof, whichever is the later.

Consolidated Gold Fields PLC
49 Moorgate, London EC2R 6BQ.

Fleet and Aitken call off talks

By Alexander Nicoll

Fleet Holdings, the owner of Express Newspapers, has called off talks begun last month with **Aitken Hume International**, the financial services group, on the formation of a "mutually beneficial association."

Fleet said: "It has not proved possible at present to find a basis of association acceptable to both parties and, accordingly, the discussions have been discontinued."

It also explicitly denied that talks on a possible bid by Fleet for Aitken had been undertaken as part of a plan to thwart a bid for Fleet itself. United Newspapers' purchase of a 20.7 per cent stake in Fleet had prompted speculation that a bid was in the offing, with a further 15 per cent held by S. G. Warburg, the merchant bank.

Referring to press speculation that the talks with Aitken Hume were a defensive move, Fleet said: "This was not so."

Instead, it was an example of Fleet's stated policy to diversify away from its core newspaper and magazine businesses. "This will continue to be a prime objective," Fleet said.

It was believed that the talks were hampered by the uncertainty surrounding Fleet's own shareholder structure, and that further discussions could be possible in the future should Fleet's situation be resolved.

Aitken Hume shares fell 12p yesterday to 170p, valuing the company £44.4m, and Fleet shares were unchanged at 272p, valuing it at £229.7m.

AAH is confident after weathering miners' strike

A DECLINE of £655,000 in the trading performance of the builders' supplies division of **AAH Holdings**, coupled with an expected depressed result from the strike-affected solid fuel distribution business, contributed to a £461,000 drop in overall trading profit in the nine months to the end of 1984.

With the exception of oil distribution, however, all the group's other activities improved in the period, and a reduction in net interest payable from £1.63m to £1.14m left the group slightly up at the taxable level, where the result was £6.67m against £6.65m.

Trading so far in the last quarter has been encouraging, say the directors, and despite the disruption of the miners' strike they are confident that the full year outcome will be ahead of record taxable profit of £10.47m.

The interim dividend is lifted by 10 per cent from 2.4255p net to 2.668p, and Mr W. M. Pybus, the chairman, reiterates his intention that the final payout will be increased by the same proportion. The total last time came to 6.1765p. Quoted earnings per share in the nine months under review are down from 8.93p to 7.76p.

Turnover slipped from £358.26m to £357.5m, with a £17.69m drop to £167.71m in solid fuel sales largely offset by gains elsewhere. The most notable of these came in pharmaceutical supplies, where sales rose from £54.53m to £61.81m generating trading profits £445,000 ahead at £1.34m.

Oil distribution added £58.07m to sales, up from £51.56m, but its share of trading profits fell from £360,000 to £313,000. The directors state that margins were under constant pressure, and that domestic trade was less buoyant. Prospects for the last three months of the year are, however, "encouraging."

Commenting on the trading performance, the chairman says that solid fuel purchase from NCB pits still working in the Midlands were supplemented by imports "from various sources." He considers the overall trading result "very satisfactory" at £3.13m against £3.68m. This shortfall might well be recovered, he says, given reasonable trading conditions for the current months.

The shortfall in the builders' supplies division, where the trading result was £1.39m, was due in substantial part to the miners' strike—the NCB is a major user of the group's products—and the national recession.

The road haulage business improved by £1.58m to £11.37m sales and by £162,000 to £720,000 trading profits, with the tipper section doing "very well" from movements of coal from collieries in Nottinghamshire. The overall prospect for road haulage is still very good, says the chairman.

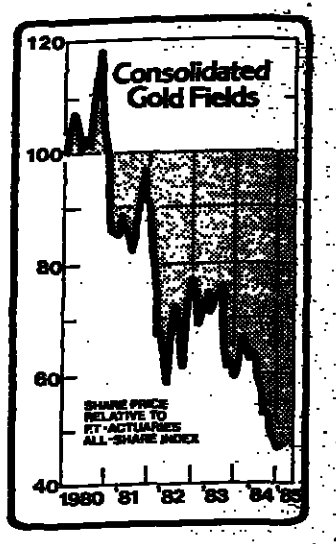
After a tax charge of £2.87m (£2.29m), profits attributable to the NCB and outside shareholders were £1.38m (£1.6m), and to ordinary shareholders £2.37m (£2.7m).

● comment

During a period when the miners' strike could well have knocked the stuffing out of AAH, coal-related profits have held up remarkably well, with the company's other interests making up any shortfall. AAH's exposure to coal mining is threefold—through its solid fuel distribution activities, the supply of pre-packaged aggregates and gear manufacturing. As the breakdown shows, the two latter activities took a knock but the former—the group's largest profits earner—was only 15 per cent off at the trading level. The laurels for this must go to the National Coal Board which, AAH acknowledges gratefully, did an admirable job of spreading the available coal production out of Nottinghamshire and Leicestershire around its markets in an equitable fashion. That demand which could not be met from indigenous sources was then made up from discreet imports. Given that the recent cold snap must have boosted demand in the fourth quarter, the company's somewhat positive outlook suggests that these discrete imports may well be responsible for the expected small advance this year, to perhaps £11m pretax. At this level, on a tax charge of 40 per cent, the prospective multiple is 9 at 123p—at a rating with some support from a yield of 7.5 per cent.

ConsGold just ahead at midway stage and pattern to continue

BY KENNETH MARSTON, MINING EDITOR



EARNINGS for the first half of the current year to June 30 of London's Consolidated Gold Fields international mining finance house are just ahead of those of a year ago.

The group expects the pattern to continue in the second half with a decline in the contribution from mining to be offset by better profits from construction materials and the continuation of a strong performance from share trading.

Pre-tax profits for the six months to December 31 amount to £44.1m compared with £43.1m a year ago. At net distributable level earnings come out at £26.6m, equal to 14.2p per share, against £25.3m in the previous year when the subsequent 1983-1984 total amounted to £71.5m, or 38.2p per share, against £57m in 1982-83.

Gold Fields is leaving its latest interim dividend unchanged at 8.5p net; the previous year's final payment was 16p net.

Inevitably, the swings and roundabouts of exchange rates dominate the revenue picture. South African gold is the major component on the mining side via the 48 per cent stake in **Gold Fields of South Africa** and the direct holdings in gold mines such as **Driefontein** and **Kloof**.

While the U.S. dollar price of bullion fell in the past half year, the price in terms of weak South African rands rose by some 30 per cent and the mines' rand revenue rose accordingly. But the rand also fell against sterling and so Gold Fields' income from South Africa in terms of sterling fell by 4 per cent.

On the other hand, the share of profits from the 26 per cent stake in the **Newmont Mining**, the U.S. natural resource major, more than doubled in terms of sterling.

Australian income, via the **Renison Goldfields Consolidated** arm was much less affected by exchange rates. It fell in line with RGC's experience of poor metal prices and enforced restrictions on output at the Renison tin mine, albeit partly offset by a much stronger market for RGC's mineral sands operations.

Gold Fields' **Amey Roadstone** construction materials operations, both in the UK and the U.S., again provided a solid base to earnings.

Sharedealing activities did notably well, advantage being taken of opportunities in the buoyant UK equity market as well as in gold shares.

Acorn dealings restart as rights details published

BY JASON CRISP

DEALINGS in **Acorn**, the troubled microcomputer group which is being rescued by Olivetti, will restart today. Yesterday the company sent details of its rights' issue to shareholders. Close Brothers, the company's new financial adviser, announced it had completed the underwriting of the issue, which was not being subscribed by Olivetti.

Share dealings in Acorn were suspended on February 6, after a financial crisis which forced the company to seek outside help. The previous Friday its then financial adviser, Lazards, was replaced and its broker Cazenove resigned.

The rights document confirms an earlier announcement by Acorn that 27 new shares will be offered at 8p a share, on the basis of every 20 existing ordinary shares held. The main shareholders and founders of the company, Mr Herman Hauser and Mr Chris Curry, who own 85.7 per cent of Acorn's issued shares, have renounced their rights to the new shares in favour of Olivetti.

After the issue, Olivetti will hold 49.3 per cent of the company. The net proceeds are expected to be about £11.5m. Barclays Bank has agreed to increase Acorn's existing borrowing facilities to £14m over the next 12 months.

Acorn has reached agreements with its four major trade creditors to pay them in instalments for monies which are already owing or soon will be. The four main creditors are Race Electronics, BSR (UK), Wong's Electronics, and AB Electronics Products Group.

Acorn's balance sheet for December 30 1984 showed the company had net assets of £6.39m compared with £17.16m at July 1 1984. Over the same period trade creditors had risen from £25.4m to £31.1m.

KLP in Dutch takeover

BY PAUL HAM

KLP, the UK's largest independent sales promotion group, is making an agreed takeover of the Dutch company, **Bridge Sales Promotion**.

KLP initially plans to buy 40 per cent of Bridge for just under £1m and will take a further 40 per cent through a deferred option within three years.

Mr John Balch, the company secretary, said yesterday that the takeover, the details of which are still not finalised, is the first in several planned takeovers of promotion companies in KLP's international expansion programme.

"We are looking to acquire majority stakes in foreign sales promotion companies over the next two years," he said.

USM-listed KLP closed last night at 380p, unchanged.

KLP joined the USM in mid-1983. The company made £841,000 in pre-tax profits, an increase of 53 per cent in the year to September 30 1984.

The announcement of the takeover of Bridge follows KLP's £300,000 acquisition of Robert Guy Services.

BOARD MEETINGS

TODAY

Interims: Blagden Industries, Burndene Investments, Galliford.

Finals: Anglo American Industrial, Antofagasta, BSR International, BTR, Cement-Roadstone, Federated Housing, General Accident Fire and Life Assurance, Heywood Williams, Thomas Jourdan, Lex Service, Liberty Life Association of Africa, Midland Bank, Svenska Cellulosa Aktiebolaget.

FUTURE DATES

Interims—

Gent (S. R.)	†Mar 20
Goodwin	Mar 8
Lawtex	Mar 13
London & Scottish Marine Oil	Apr 3

Finals—

Appleyard	Mar 14
Collins (William)	*Mar 12*
Early's of Witney	Mar 29
Hewitt (J.) (Fenton)	Mar 13
Home Counties Newspapers	Mar 29
Instem	†Mar 7
Invergordon Distillers	Mar 13
McLaughlin and Harvey	Mar 19
Philips Lamps	*Mar 7*
Plan Invest	Mar 21
Willis Faber	Mar 20

Chieftain raises £0.8m

Chieftain Industries, a Livingston-based maker of fan heaters, electric radiators and heat pumps, is seeking up to £800,000 through an offer for subscription on the market made by Granville and Company.

The cash will be used to develop a system for converting a normal single phase domestic electricity supply into an industrial three-phase supply. The system will allow heat pumps—highly efficient energy converters which Chieftain claims can produce £3 worth of heat for every £1 spent—to be used in the home. They are currently only available for large industrial electricity users.

Chieftain, which was established in 1971, made a £24,000 loss on sales of £162,000 last year, but is projecting to make £149,500 before tax on a turnover of £1.3m in the current year. The control system will be produced by a wholly-owned subsidiary, Caletronic.

The offer of 2.4m shares at 34p each is sponsored by the Edinburgh licensed securities dealers, Clarke Farquharson & Partners.

Yearlings up ¼%

The interest rate for this week's issue of local authority bonds is 13¼ per cent, up ¼ of a percentage point from last week, and compares with 9$\frac{7}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on March 12 1986.

A full list of issues will be published in tomorrow's edition.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Moran Tea ......int	5	—	4	—	10
NatWest Bank	16.34†	April 4	19.8	28.34	31.2
AAH Holdings	2.67	March 29	2.43	—	6.18
Consld Gold Fields ...int	8.5†	May 2	8.5	—	24.5
Fleming Mercantile	2.28	—	2.08	3	2.8
Merchants Trust	1.7	—	1.42	3	2.42
Johnston's Paints‡	2.24	April 25	2.24	4	4
Provident Financial	7	—	6	10.5	9
Rights and Issues¶	2.8	—	2.8	3.8	3.8
Tech for Business‡	4.62	May 28	4.2	4.62	4.2
Unilever	24.03	May 29	20.29	35.52	30.86
Unilever NV	9.45‖	May 28	8.58	14.11	13.02

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Income shares. ‖ In Florins.

Banro hits back with 56% rise

Banro, the sunroof and car component manufacturer, yesterday forecast a pre-tax profit of £800,000 for 1984, an increase of 56 per cent on the year before, as it formally advised shareholders to reject a £4.3m bid from **CH Industrials**.

In its defence document, Banro said it intended to recommend a final net dividend of 3.725p, making a total dividend for 1984 of 4.3p, an increase of 30 per cent.

Banro's profit forecast came despite losses of about £103,000 from the Lignotock operation up to the decision to close the plant in June 1984.

It compares with a profit of £512,590 in 1983 from a turnover of £24.63m.

Last night Banro's share price closed 12p higher at 100p.

Mr Edward Rose, Banro chairman, yesterday urged shareholders to reject CHI's bid on the grounds that it grossly undervalued the company.

He suggested the real reason for CHI's offer was the need by CHI to strengthen its capital base "while at the same time acquiring the strength of your company at a totally inadequate price.

"Banro would not benefit from being part of a mini-conglomerate whose strategy at best seems confused," Mr Rose added.

Banro described CHI as "dangerously overborrowed" and estimated its total indebtedness, including secured term loans and hire purchase and leasing commitments, at £7,970,000.

NOTICE OF ANNUAL GENERAL MEETING

FIDELITY SPECIAL GROWTH FUND

Registered Office: Societe d'Investissement a Capital Variable 37, Rue Notre-Dame, Luxembourg R.C. Luxembourg B 20095

NOTICE is hereby given that the Annual General Meeting of the shareholders of FIDELITY SPECIAL GROWTH FUND, a societe d'investissement a capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 37, rue Notre-Dame, Luxembourg, at 11:00 a.m. on March 28, 1985, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Statutory Auditor;
3. Approval of the balance sheet at November 30, 1984 and income statement for the fiscal year ended November 30, 1984.
4. Discharge of Board of Directors and the Statutory Auditor;
5. Election of eight (8) Directors, specifically the re-election of all present Directors, Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, Harry G. A. Seggerman and James E. Tonner and Finimtrust.
6. Election of the Statutory Auditor, specifically, the re-election of the present Statutory Auditor, Maurice J. Sergant.
7. Authorization of the Board of Directors to declare a dividend in respect of fiscal 1984 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above Items of the Agenda will require no quorum and will be given by the affirmative vote of a majority of the shares present or represented at the Meeting. Subject to the limitations imposed by law and the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

By order of the Board of Directors

Dated: February 26, 1985

FIDELITY SPECIAL GROWTH FUND is an Investment Company with the investment objective of seeking long term capital growth from a diversified portfolio of companies actively involved in the development and application of advanced technology, primarily in Japan, other Pacific Basin countries and the US.

At February 1, 1985 the portfolio was split between the following sectors: 35% in Consumer, 13% in Electrical, 11% in Energy/Materials, 11% in Financial, 10% in Industrial, 8% in Services, 5% in Merchandising, 3% in Chemicals and 4% in cash and miscellaneous. The geographical split was as follows: Japan 72%, USA 12%, Hong Kong 6%, Australia 6%, cash and miscellaneous 4%.

The Fund was launched in February 1983 at $12 per share. Since launch, the offer price of shares has risen 18% to $14.12 at February 1, 1985. The Fund is now valued at $60m.

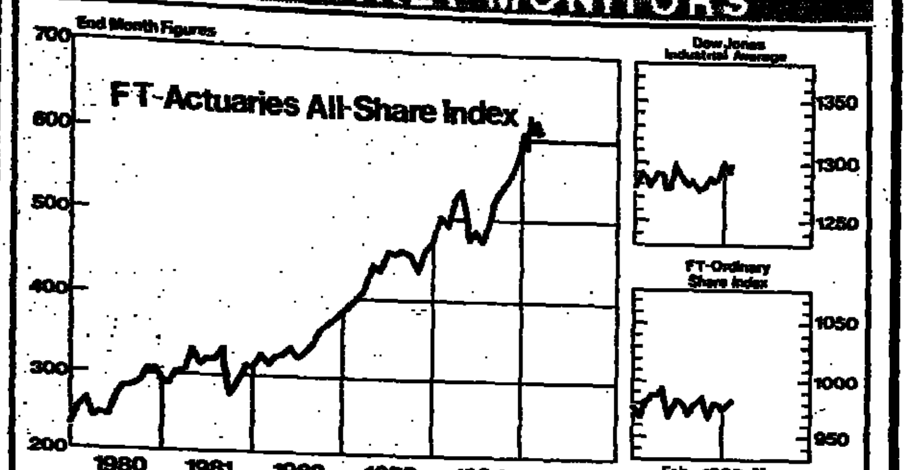
Copper prices continue to rise, Page 36

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday March 6 1985

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 5	Previous	Year ago
NEW YORK			
DJ Industrials	1,294.61*	1,289.53	1,165.20
DJ Transport	629.76*	630.20	513.68
DJ Utilities	147.88*	148.03	128.81
S&P Composite	182.14*	182.06	157.89
LONDON			
FT Ord.	982.0	979.9	841.6
FT-SE 100	1,274.9	1,265.7	1,053.7
FT-A All-share	614.79	610.53	502.55
FT-A 500	672.02	667.02	541.28
FT Gold mines	476.2	477.8	702.6
FT-A Long gilt	10.83	10.82	10.08
TOKYO			
Nikkei-Dow	12,476.38	12,509.01	10,088.9
Tokyo SE	986.35	990.39	787.41
AUSTRALIA			
All Ord.	798.0	796.1	735.1
Metals & Mins.	480.2	480.9	512.4
AUSTRIA			
Credit Aktien	71.76	73.39	55.28
BELGIUM			
Belgian SE	2,289.66	2,270.12	–
CANADA			
Toronto			
Metals & Minls	2,096.1*	2,104.9	2,254.0
Composite	2,641.2*	2,628.5	2,433.0
Montreal			
Portfolio	132.33*	131.71	119.41
DENMARK			
Copenhagen SE	n/a	177.38	195.53
FRANCE			
CAC Gen	204.6	204.6	153.9
Ind. Tendance	110.5	110.50	87.36
WEST GERMANY			
FAZ-Aktien	415.37	416.40	351.77
Commerzbank	1,195.1	1,207.3	1,034.4
HONG KONG			
Hang Seng	1,367.94	1,399.46	1,102.05
ITALY			
Banca Comm.	269.51	279.72	222.48
NETHERLANDS			
ANP-CBS Gen	204.8	204.2	161.8
ANP-CBS Ind	161.8	161.4	132.3
NORWAY			
Oslo SE	317.84	321.66	253.79
SINGAPORE			
Straits Times	847.56	850.35	1,018.08
SOUTH AFRICA			
Golds	n/a	916.9	1,059.3
Industrials	n/a	847.6	1,015.1
SPAIN			
Madrid SE	112.73	113.30	85.03
SWEDEN			
J & P	1,444.64	1,445.39	1,527.53
SWITZERLAND			
Swiss Bank Ind	424.5	423.1	367.7
WORLD	Mar.4	Prev	Year ago
Capital Int'l	198.1	197.8	184.0

GOLD (per ounce)

	Mar 5	Prev
London	$288.00	$288.50
Zürich	$288.25	$288.75
Paris (fixing)	$288.05	$288.95
Luxembourg	$288.75	$289.25
New York (Apr)	$287.90	$291.90

* Latest available figure

COMMODITIES

(London)	Mar 5	Prev
Silver (spot fixing)	533.65p	526.35p
Copper (cash)	£1,283.00	£1,276.50
Coffee (March)	£2,406.50	£2,391.00
Oil (spot Arabian light)	$27.90	$27.775

CURRENCIES

(London)	U.S. DOLLAR Mar 5	U.S. DOLLAR Previous	STERLING Mar 5	STERLING Previous
$	–	–	1.0555	1.0685
DM	3.4335	3.376	3.6225	3.6
Yen	261.00	259.95	275.25	277.0
FFr	10.465	10.315	11.0375	11.025
SwFr	2.924	2.893	3.0875	3.085
Guilder	3.8785	3.822	4.10	4.08
Lira	2,131.0	2,095.75	2,245.0	2,235.0
BFr	68.95	67.85	72.6	72.4
C$	1.396	1.3925	1.479	1.49

INTEREST RATES

	Mar 5	Prev
Euro-currencies (3-month offered rate)		
£	14⅛	14
SwFr	5⅞	5 13/16
DM	6⅜	6 5/16
FFr	11 7/16	11⅜
FT London Interbank fixing (offered rate)		
3-month U.S.$	9¼	9⅜
6-month U.S.$	10½	10⅝
U.S. Fed Funds	8½*	8⅝
U.S. 3-month CDs	9.25*	9.3
U.S. 3-month T-bills	8.68*	8.7

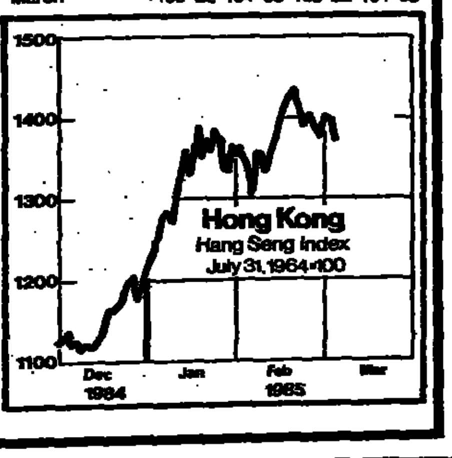
U.S BONDS

Treasury		Mar 5* Price	Mar 5* Yield	Prev Price	Prev Yield
10	1987	98 10/32	10.70	98 22/32	10.75
11⅝	1992	99 7/32	11.79	98 30/32	11.85
11¼	1995	96 19/32	11.87	96 9/32	11.92
11¼	2015	95 9/32	11.85	94 29/32	11.91

Corporate	Mar 5* Price	Mar 5* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	95	11.65	95	11.65
3⅞ July 1990	74¼	10.30	74¼	10.30
8⅜ May 2000	74⅝	12⅛	74⅝	12⅛
Xerox				
10⅜ March 1993	92¼	12.20	92¼	12.20
Diamond Shamrock				
10⅜ May 1993	91½	12.30	91½	12.30
Federated Dept Stores				
10⅜ May 2013	88.128	12.55	88.128	12.55
Abbot Lab				
11.80 Feb 2013	93.47	12.65	93.47	12.65
Alcoa				
12¼ Dec 2012	94.36	13.00	94.36	13.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69–07	69–09	68–28	68–22
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.34	91.36	91.32	91.30
Certificates of Deposit (IMM) $1m points of 100%				
March	90.65	90.68	90.59	90.54
LONDON				
Three-month Eurodollar $1m points of 100%				
March	90.23	90.28	90.15	90.29
20-year Notional Gilt £50,000 32nds of 100%				
March	103–22	104–03	103–22	104–05



WALL STREET

Time judged ripe to consolidate

A MOOD of consolidation enveloped Wall Street stock markets yesterday, while in the credit markets yields declined amid the view that the recent firmness may have been overdone, *writes Michael Morgan in New York.*

Stocks opened marginally ahead but soon turned lower as the market decided that it was not yet ready for another assault on record highs.

The Dow Jones, industrial average closed 2.32 higher at 1,291.85.

Activity was again subdued in the credit markets but prices held on to their early gains despite the absence, for the second consecutive day, of any move by the Federal Reserve to add liquidity to the market.

Fed funds opened marginally lower and later eased further to 8½ per cent. Among the Treasury coupon issues the price of the key long bond, the 11¼ per cent of 2015, advanced 19/32 to 95 9/32.

At the short end yields declined from the levels set at Monday's weekly auction. The three-month bill was 2 basis points lower at 8.69 per cent, while the six-month bill eased 3 basis points to 8.93 per cent. Rates on certificates of deposit were uniformly lower.

In the stock markets General Dynamics traded $3⅜ lower at $79 – having been $6½ down at one stage – on the announcement that the Defence Department was suspending overhead payments on military contracts for 30 days while the Pentagon reviews possible irregularities in billing the government.

Phillips Petroleum settled back $⅞ to $49¼ as investors assessed the cost to the company of fending off Mr Carl Icahn's unwelcome bid.

Unocal added $2⅜ to $47⅞ with the market wondering whether Mr T. Boone Pickens might now make a bid.

Crown-Zellerbach put on $2⅜ to $35⅝. A 500,000 share block crossed at $35 prompted market rumours that Sir James Goldsmith, the UK financier, might have resumed buying the company's stock.

Alexander & Alexander put on $1⅜ to $29¼ following the announcement that it had put its Sphere Drake underwriting subsidiary in the UK up for sale.

Eastman Kodak was $½ higher at $70 in the wake of its agreement with Chinon of Japan for the production of 55mm cameras that will be sold under the Kodak name.

General Motors edged $¼ lower to $79 after the announcement that it is considering a joint diesel engine manufacturing venture with Deere, the world's largest agricultural equipment company. Deere put on $⅛ to $31¼.

Unilever's American shares added $3 to $51 in the wake of the Anglo-Dutch group's results.

Coastal Corp, the petroleum marketing and refining group, put on a further $⅛ to $27⅞ as it filed lawsuits in Michigan and Delaware in an attempt to help its $60 a share hostile takeover of American Natural Resources and traded $1⅛ higher at $61¼.

The Sharon Steel Corporation, of which Miami financier Mr Victor Posner is chairman, eased $⅛ to $1¼ in the wake of its statement that it did not make a $23m interest payment due last Friday.

The Evans Products Company, a building supply and transport service group also controlled by Mr Posner, was $½ lower at $2½ after announcing that it might be forced to file for protection if it could not come to an agreement with creditors on repayment of $600m in debt that became due on January 15.

Sperry picked up much of the previous day's loss to trade $1⅛ higher at $52¼ as it exercised an option to buy 5m shares in the Bermuda-based Mnemos and to obtain certain licence rights in Mnemos Technology.

Telerate, the computerised financial information group, dipped $¼ to $19⅝ after it announced the start of a secondary public offering of 5m shares of its stock at $19¾.

Among actively traded stocks on the New York Stock Exchange Occidental Petroleum eased $⅛ to $28⅞ and Sony was $½ lower at $18⅛. On the American Stock Exchange BAT Industries was an active feature, trading unchanged at $4 while Wang Laboratories dipped $¼ to $24⅜.

EUROPE

Gains eroded after bout of profit-taking

SPORADIC profit-taking developed on the European bourses yesterday as recent gains were eroded in largely technical trading.

Frankfurt, which experienced a 10.9 point rise in the Commerzbank index on Monday, fell 12.2 to 1,195.1.

Siemens was particularly vulnerable. The electrical group slipped DM 5.30 to DM 548.50 from the record level set in the previous session. Others to fall from their highs included BASF, 20 pfg cheaper at DM 209.6, Deutsche Bank, DM 4.50 lower at DM 418.50, and Hoechst, which finished the day 60 pfg down at DM 209.40.

Car makers managed to shrug off the gloom, however. Daimler, which edged ahead only slightly on Monday, hit a 12-month peak of DM 673.50, a gain of DM 4. BMW settled DM 2 stronger at DM 386 and VW picked up DM 1 to DM 198. Porsche fell DM 3 to DM 1,337 with profit-takers particularly active after its recent gains.

The weakness in banks was ascribed to bullish domestic interest rate trends. Commerzbank turned DM 2.70 cheaper at DM 163 and Dresdner DM 2.30 lower at DM 191.50.

Bonds traded up to 50 basis points easier.

The lower opening in **Amsterdam** was largely reversed by the sparkling results from Unilever, that took the ANP-CBS General index 0.6 higher to 204.80 while the Internationals index reached a record of 225.1, a gain of 1.2 points. Unilever hit an all-time high of Fl 345 with its gain of Fl 8.

Fokker reached a peak level with its 80 cent rise to Fl 100.90. A 60-cent fall to Fl 61.40 for KLM took the airline from its peak set on Monday. Nedlloyd added a respectable Fl 1.90 to Fl 178.4, while Royal Dutch returned to just below its 12-month peak with a Fl 1.50 rally to Fl 204.30.

Boskalis surrendered half of the gain of the previous session with its 10-cent fall to Fl 16.10.

Bonds slumped on interest rate fears although volume in state bonds, which bore the brunt of the pressure, was thin.

A steadier tone emerged in **Zurich**, with trading volume reduced from Monday's heavy level.

Alusuisse scored a SwFr 20 rise to SwFr 905, now near the higher end of its recent trading range, after reporting a return to group profit for 1984 and the resumption of dividends after a two-year lull.

Swissair took the transport sector higher with a SwFr 10 gain to SwFr 1,180, a new high for the year. Quiet banks saw Bank Leu edge SwFr 15 ahead to SwFr 3,715.

Insurers were active with Swiss resteady at SwFr 9,600 although Zurich Insurance staged a SwFr 100 rise to SwFr 20,650.

A subdued tone in the bond market moved most issues up to 25 basis points either way although the new 5½ per cent warrant bond of Generale Occidentale fell as much as 2¾ points from its par issue price.

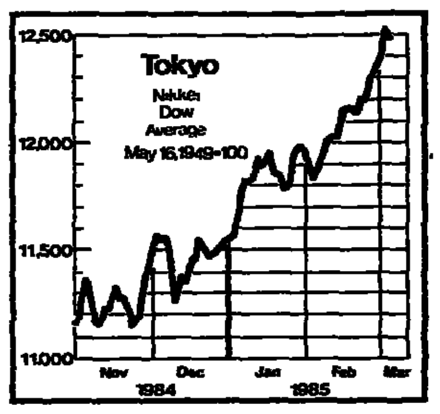
Milan adopted a moderately firmer stance after the Monday performance of profit-takers. Fiat, fresh from reporting the turnround of Lancia, rose L9 to L2,799.

Bonds were mixed with good demand for the indexed Enel issue.

Profit-taking developed on a broad front in **Madrid** although volume was light. Banco Bilbao was steady at 337 per cent of nominal value after reporting a 16 per cent profit increase for last year.

Stockholm continued to move ahead. The best performance was by Esselte which rose SKr 15 to a 12-month high of SKr 390. Stora Kopparberg's rise in earnings and dividend left the forest products group unchanged at SKr 145.

Paris turned narrowly mixed at the close while **Brussels** staged a wide ranging rise in lively trading.



TOKYO

Marginal inducement from peaks

CONCERN about a tightening of curbs on margin trading, combined with an overnight fall on Wall Street, curtailed buying interest in Tokyo yesterday to send prices lower for the first time in six sessions, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average shed 32.63 to 12,476.38, on a volume of 397m shares, down from Monday's 429m shares. Declines outnumbered advances 476 to 286, with 150 issues unchanged.

Sony and other compact disc-related issues, main gainers on Monday, were sold after news that Wall Street – as measured by the DJ industrial average – had failed to finish above 1,300.

Big securities companies drew buyers, however, who considered the issues were priced at low levels relative to big commercial banks. Nikko Securities and Yamaichi Securities gained Y30 each to Y740 and Y715 respectively. Nomura Securities hit Y1,200 at one stage, closing at Y1,090, up Y20.

Biotechnology-related stocks were mixed. Toray, which topped the list of most actives with 26.77m shares traded, rose Y18 to Y470. The buying incentive was a government council approval for the group's manufacture of beta interferon, an anti-cancer agent.

Second busiest was Asahi Chemical Industry, with 14.44m shares traded. It fell Y49 to Y631 on profit-taking. Green Cross also slumped Y180 to Y2,750.

Among quality issues Sony plunged Y140 to Y4,880, Matsushita Electric Industrial Y10 to Y1,680 and TDK Y160 to Y6,390.

After the close the Tokyo Stock Exchange announced the buying balance on margin transactions at the end of last week swelled Y17.3bn over the previous week to Y3,009.6bn, exceeding Y3,000bn for the first time.

In the bond market investors stayed on the sidelines. Some regional banks issued small-lot selling orders and securities companies moved for speculative selling.

The yield on the benchmark 7.3 per cent government bond, due in December 1993, went up to 6.920 per cent from Monday's 6.870 per cent.

LONDON

Currencies play a crucial role

CURRENCY INFLUENCES continued to play the crucial role in London yesterday. The dollar's latest rampage against all leading currencies accompanied opening uncertainty, but sterling's mid-morning rally from the lowest rate caused leading equities to begin a similar movement.

The FT Ordinary index, down 6.3 at the opening, closed 2.1 up on the day at 982.0.

NatWest bank rose 10p to 653p after a 30 per cent profit increase at the pre-tax stage well in excess of market estimates. Midland was also up 10p at 360p.

Gilts suffered losses of ¼ in morning trading but closed with minor gains.

Chief price changes, Page 30, Details, Page 31, Share information service, Pages 32-33

AUSTRALIA

THE DECLINING Australian dollar and the lack of movement in international gold prices led to dull trading in Sydney. The All-Ordinaries index was up 1.9 to 798.0.

BHP led diversified resource issues with a 4-cent rise to A$5.68, while Bell Resources was steady at A$5.30 and CSR slipped 1 cent to A$2.82

Oils were mixed with Crusader putting on 5 cents to A$2.20, Bridge gained 2 cents to A$2.22, while Santos eased 2 cents to A$5.48.

Among the mines, Comalco shed 5 cents to A$2.60, CRA eased 2 cents to A$5.80 but Ashton advanced 2 cents to 92 cents.

HONG KONG

AN ACCUMULATION of selling pressure forced Hong Kong stock sharply lower, with the Hang Seng index sliding 31.52 to 1,367.95 in fairly quiet trading.

Hongkong Land lost 35 cents to HK$4.90 Hongkong Wharf slipped 10 cents to HK$5.60, Jardine Matheson was down 35 cents to HK$9.40 and Wheelock Marden rose 15 cents to HK$7.35.

Cheung Kong fell 40 cents to HK$13.50, and China Light 50 cents to HK$14.00. Hutchison Whampoa suffered a 40-cent setback to HK$20.30.

SINGAPORE

PROFIT-TAKING left Singapore shares mixed in active trading. The Straits Times index lost 2.79 at 847.56.

Most actively traded was Supreme up 13 cents to S$1.68. National Iron put on 10 cents to S$3.48. ICS put on 5 cents to S$6.00 and Malayan Banking saw an advance of 5 cents to S$6.15.

Kentucky Fried Chicken experienced a strong decline of 45 cents to S$5.45, while Haw Par shed 6 cents to S$2.49 and Singapore Press fell 10 cents to S$6.40.

SOUTH AFRICA

GOLD STOCKS retreated on a broad front in very quiet Johannesburg trading despite the steady bullion price.

Anglo American fell 30 cents to R22.70, De Beers was down 8 cents to R9.15 and Rustenburg Platinum declined 15 cents to R15.60.

Industrials closed mixed in subdued trading.

CANADA

A STRONGER showing among industrials and oils helped Toronto to move moderately higher.

Daon Development rose 15 cents to C$3.95, Inter-City gas fell ¼ to C$13. Gulf Canada rose C$⅛ to C$18¼ and Dome Petroleum eased 1 cent to C$2.92.

Mitel was unchanged at C$9¾.

In Montreal industrials and banks were slightly firmer.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.3	16	39	20¾	20⅜	20⅝	−⅜
23	9⅜	AGS			11	69	15¼	14⅝	15¼	+¾
18⅛	11	AMCA				8	11⅝	11½	11½	−⅛
17⅞	13⅛	AMF	.50	3.0	35	274	17⅛	16¾	16⅞	−⅛
43¼	24¼	AMR			10	3933	42⅜	41¼	41⅝	−½
20¼	18¼	AMR	pf2.18	11.		31	20¼	20⅛	20⅛	
25⅞	22⅞	ANR	pf 2.67	11.		221	25⅝	25⅛	25⅛	−½
23	19	ANR	pf 2.12	9.9		4	21½	21½	21½	+¼
14¼	8½	APL			3	36	10½	10⅜	10⅜	−⅛
69¾	44⅝	ASA	2	4.3		400	46½	45¾	46	−1
27	16	AVX	.32	1.4	14	536	23⅞	21⅞	22⅞	−¾
49⅝	36¾	AbtLab	1.20	2.4	15	3470	u50⅛	49⅜	49⅞	+½
25⅞	18½	AccoWds	.44	1.8	19	149	24⅜	24	24	
22½	12½	AcmeC	.40	2.2		60	18⅜	18⅛	18⅛	−⅛
10¾	8¼	AcmeE	.32b	3.2	12	1	10	10	10	+⅛
17⅜	15	AdaEx	2.11e	13.		67	16⅞	16⅝	16⅞	+⅛
20	11⅞	AdmMl	.32	1.6	8	8	19⅞	19⅝	19⅝	
19½	8⅝	AdvSys	.81t	7.3	18	394	11¼	10¾	11⅛	−⅛
41⅛	25⅛	AMD			13	5869	32⅞	31⅞	32⅜	−⅜
12¾	6⅞	Advest	.12	1.1		552	11⅛	10¾	11	−⅛
14⅝	8¾	Aerflex			13	71	13¾	13½	13¾	
42⅝	27¼	AetnLf	2.64	6.4	40	1225	41⅞	40⅞	41¼	−⅝
58¾	52⅜	AetL	pf5.83e	10.		150	55¾	55¼	55¾	+⅛
32⅛	15¾	Ahmns	1.20	4.3	16	456	28	27½	27⅞	+¼
51	38⅝	AirPrd	1.20	2.4	11	149	49½	49	49⅜	+⅛
24⅜	13	AirbFrt	.60	2.5	13	85	24	23½	23¾	+¼
2	⅞	AlMoa s			25	145	1¾	1⅝	1¾	
32	26¾	AlaP	pfA3.92	13		24	31⅛	30¾	31	
7½	6	AlaP	dpf.87	12		51	7⅜	7¼	7⅜	
73½	61½	AlaP	pf 9	13		z830	71½	71½	71½	+1
102	85¼	AlaP	pf 11	11		z100	96⅞	96⅞	96⅞	
68	56	AlaP	pf 8.28	12		z210	67¾	67	67¾	+¾
13⅜	11	Alagsc s	.92	7.4	11	38	12⅝	12⅜	12⅜	−⅜
19¾	9¼	AlskAir	.14	.7	9	667	19¼	18⅞	18⅞	−¼
16¼	10½	Alberto s	.38	2.7	18	29	14¼	13⅝	14	+⅜
31¾	22½	Albtsns	.68	2.2	13	309	30½	30	30½	−⅛
35¾	23½	Alcan	1.20	4.3	11	2121	28	27½	27⅞	
36⅛	27⅛	AlcoStd	1.20	3.4	12	24	35¾	35⅝	35⅝	−⅛
29	17	AlexAlx	1	3.3		11756	u30¼	27⅞	30¼	+2⅜
28½	20⅜	Alexdr			26	97	23⅜	23⅛	23¼	−⅛
89½	64½	AllgCp	2.06t	2.6	8	8	78½	78	78½	+¼
26¾	23	AlgCp	pf2.86	11.		540	25⅝	25⅛	25⅝	+¾
28¾	18¾	AlgInt	1.40	5.2		720	27⅛	26⅞	26⅞	
22⅝	15¼	AlgIn	pf2.19	11.		14	19⅞	19⅝	19⅝	
94⅞	81	AlgI	pfC11.25	12.		11	94¼	94	94¼	
30⅜	24⅝	AllgPw	2.70	9.0	8	699	30⅜	30⅛	30⅛	
23¼	15¾	AllenG	.60b	3.3	12	391	18⅛	18	18⅛	−⅝
39⅞	26¼	AlldCp	s1.80	4.6	8	1683	39⅝	38¾	39⅜	
62½	53⅞	AldCp	pf6.74	11.		60	62⅛	61⅞	61⅞	
109½	99	AldCp	pf 12	11.		60	109⅛	108	108	−1¼
107½	100¾	AldC	pf 12.39e	12		64	102¾	102⅜	102⅜	−⅛
23½	10¾	AlldPd				85	23¼	23	23	−⅛
56¾	38	AlldStr	2.12	3.9	9	489	54¾	54⅛	54½	+⅜
13⅜	5⅛	AllisCh				108	7⅛	7	7	−⅛
36½	24	AlisC	pf			25	29¼	29	29	−½
27	20	ALLTL	1.84	7.1	9	66	26¼	26	26	
43	30¾	Alcoa	1.20	3.3	12	2420	36¼	35⅞	36¼	+⅜
27¾	15½	Amax	.20	1.1		473	17¾	17¼	17¾	
43⅜	32½	Amax	pf 3	8.7		1	34½	34½	34½	−¼
33½	22¾	AmHes	1.10	3.9	14	4403	28¾	28⅛	28⅜	−¼
144	98⅛	AHes	pf3.50	2.9		1	122½	122½	122½	
2¾	1¼	AmAgr				89	1⅞	1¾	1¾	−⅛
19⅝	15⅛	ABakr			11	108	19⅛	19	19⅛	−⅛
69⅜	52⅞	ABrand	3.90	5.7	10	361	69⅛	68⅝	68⅞	
27¾	24⅝	ABrd	pf2.75	10.		2	27⅛	27⅛	27⅛	−¼
69¾	53	ABrd	pf2.67	3.8		2	69⅜	69⅜	69⅜	−⅜
77¼	52½	ABdcst	1.60	2.4	10	1184	67¾	65⅝	67½	
25¾	19½	ABldM	.86	3.3	12	81	25¾	25⅝	25¾	+⅛
25½	18	ABusPr	.64	2.6	14	8	24⅞	24¾	24⅞	+⅛
55¾	40⅛	AmCan	2.90	5.8	11	1389	50⅞	50	50⅜	−½
24⅝	21¼	ACan	pf2.80	12.		3	23½	23½	23½	−¼
48	38	ACan	pf 3	6.7		19	44⅞	44½	44½	−½
110	103	ACan	pf13.75	13.		3	108	108	108	+¼
19⅞	16¾	ACapBd	2.20	12		35	18⅝	18⅜	18⅝	

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
46¼	33¼	Xerox	3	6.6	18	1742	45¾	45⅛	45½	
51⅜	45¼	Xerox pf5.45		11		425	49¾	49½	49⅝	+⅛
30	24	ZaleCp 1.32		4.5	9	11	29½	29¼	29½	
24⅞	14½	Zapata	.84	5.5	18	1324	15½	15⅛	15⅜	+⅛
58	30	Zayre	.40b	.7	14	331	56⅛	55⅜	55⅜	−1
31¼	18⅛	ZenithE			8	909	22⅞	22⅜	22¾	+¼
21¾	14⅜	Zero s			20	223	u21⅞	21⅛	21¼	+⅛
31⅜	21⅛	Zurnin 1.32		4.4	11	29	30	29⅞	30	+⅛

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 5	Price Sch%	+ or —
Creditanstalt	259	
Goesse	440	—10
Interunfall	509	—1
Laenderbank	234	+1
Perlmooser	420	—4
Steyr-Daimler	175	—3
Veitscher Mag	365	—12

BELGIUM/LUXEMBOURG

Mar. 5	Price Frs.	+ or —
B.B.L.	1,850	
Banq. Int. A. Lux	5,850	+50
Bekaert B	5,450	+150
Ciment CBR	2,690	+70
Cockerill	284	—8
Delhaize	7,650	+50
EBES	3,000	+30
Electrobel	8,570	+150
Fabrique Nat	2,180	+20
GB Inno BM	3,045	—5
GBL (Brux)	2,190	+30
Gevaert	4,330	+215
Hoboken	5,970	—80
Intercom	2,285	+35
Kredietbank	8,100	+10
Pan Hldgs.	11,400	
Petrofina	7,200	+50
Royale Belge	10,700	
Soc. Gen. Banq	3,400	—25
Soc. Gen. Belge	2,030	+30
Sofina	7,930	+190
Solvay	4,385	+85
Stanwick Intl.	1,520	+20
Tractionel	4,215	+165
UCB	5,190	+120
Wagon Lits	8,760	+95

DENMARK

Mar. 5	Price Knr %	+ or —
Andelsbanken	295	—4
Baltic Skand	636	—10
CopHandelsbank	290	
D. Sukkerfab	545	
Danske Bank	279	5
De Danske Luft	1,240	
East Asiatic	168	—1
Forenede Brygg.	835	
Forenede Damp.	92	+1
GNT Hldg	430	
I.S.S.B.	394	
Jyske Bank	535	—10
Novo Ind.	1,730	
Privatbanken	243	—4
Provinsbanken	307	+3
Smidth (F)	225	
Sophus Berend	970	—10
Superfos	483	+5

FRANCE

Mar. 5	Price Frs.	+ or —
Emprunt 4½% 1973	1635.5	+0.3
Emprunt 7% 1973	7,700	+31
Accor	268	+4
Air Liquide	634	—1
BIC	564	+7
Bongrain	1,700	—30
Bouygues	648	—1
BSN Gervais	2,400	—34
CIT-Alcatel	1,251	+2
Carrefour	1,920	+12
Club Mediter'n	1,181	—14
Cie Bancaire	574	—4
Cofimeg	266	+1
Damart	2,285	—20
Darty	1,249	—9
Dumez S.A.	616	—4
Eaux (Cie Gen)	557	+4
Elf Aquitane	240.5	0.3
Essilor	2,900	—50
Gen. Occidentale	762	—6
Imetal	84.5	—0.7
Lafarge Coppee	419.8	—2.2
L'Oreal	2,374	27
Legrand	2,071	—4
Maisons Phenix	209	+4
Matra S.A.	1,670	—9
Michelin B	857	+10
Midi (Cie)	2,235	—35
Moet Hennessy	1,960	+25
Moulinex	113	—0.8
Nord Est.	79.8	
Pernod Ricard	726	—11
Perrier	533	—2
Petroles Fra	275	+6
Peugeot S.A.	277	—2.9
Printemp.Aus	200	+0.5
Radiotech	266	—0.5
Redote	1,270	
Rousel Uclaf	1,640	+40
Selimeg	320.5	—0.5
SkisRossignol	1,970	+10
Telemech Elect.	2,380	—10
Thomson CSF	501	
Valeo	234	—1

GERMANY

Mar. 5	Price Dm.	+ or —
AEG-Telef	113.6	+0.1
Allianz Vers	1018xr	—11
BASF	209.6	—0.2
Bayer	214	+0.5
Bayer-Hypo	314.0	
Bayer-Verein	330	—3
BHF-Bank	265	—2
BMW	386	+2
Brown Boveri	213	—11
Commerzbank	163	—2.7
Cont'l. Gummi	130.5	—0.7
Daimler-Benz	673.5	+4
Degussa	358	—2
D'sche Babcock	168.5	—1.5
Deutsche Bank	418.5	—4.5
Dresdner Bank	191.5	—2.3
GHH	158.5	—2
Hochtief	461	—7
Hoechst	209.4	—0.6
Hoesch Werke	108.5	—2
Holzmann (P)	406	+1
Horten	171	—0.5
Hussel	190.0	
Karstadt	218.5	
Kaufhof	216	+1
KHD	256xr	—2
Kloeckner	78.4	+0.9
Linde	420	—6.5
Lufthansa	195.5	+0.5
MAN	163	—2
Mannesmann	158.6	—2.1
Mercedes Hld	578.5	+2
Metallgesell	244	+6
Munech Rueck	1176	—5
Nixdorf	539.8	—2.2
Porsche	1,337	—3
Preussag	260	—1.4
Rhein West Elect	153	
Rosenthal	251	—4
Schering	472	
Siemens	548.5	—15.3
Thyssen	102.3	+1.2
Varta	186	—1.5
Veba	169.5	—1
V.E.W.	132.5	
Verein-West	313	
Volkswagen	198	+1

ITALY

Mar. 5	Price Lira	+ or —
Banca Com'le	18,050	+50
Bastogi IRBS	181	—0.25
Beni Invest Risp	3,520	+10
Centrale	3,220	+80
Credito Varesino	4,100	+50
Fiat	2,799	+9
Finsider	62	—1
Generali Assicur.	39,140	+35
Italcementi	82,000	+450
La Rinascenti	655	+11
Montedison	1,478	+61
Olivetti	6,699	—61
Pirelli Co.	4,380	+35
Pirelli Spa	2,190	+63
Snia BPD	2,814	+28
Toro Assic	14,300	+150
do. Pref	10,575	—175

NETHERLANDS

Mar. 5	Price Fls	+ or —
ACF Holding	198.8	+4.5
AEGON	182.5	+0.5
Ahold	223	+4
AKZO	111.2	+0.2
ABN	396	—2
AMEV	213.2	+1.4
AMRO	74.8	+0.3
Bredero Cert	165	
Bos Kalis Westm.	16.1	—0.1
Buehrmann-Tet	90	—1
Calland Hldgs	45.7	+0.2
Dordtsche Pet'm	178.2	+0.5
Elsevier-NDU	112.5	—0.5
Fokker	100.9	+0.8
Gist Brocades	187	
Heineken	160.0	+2.1
Hoogovens	63	—0.1
Int Mueller	46.0	+2.1
KLM	61.4	—0.6
Naarden	49.5	—0.2
Nat Ned Cert	272.7	+4.5
Ned M d Bank	178.4	+0.9
Nedlloyd	178.4	+1.9
Oce Grinten	305.5	—0.5
Ommeren (Van)	28	
Pakhoed	67.8	—0.3
Philips	63.7	+0.5
Robeco	77.2	—0.2
Rodamco	139.5	+0.3
Rolinco	70.6	
Rorento	44.1	
Royal Dutch	204.3	+1.5
Unilever	345	+8
VMF Stork	145	
VNU	202.0	—1.5
West Utr Bank	103.0	—0.5

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NORWAY

Mar. 5	Price Kroner	+ or —
Bergens Bank	166.5	+1.5
Borregaard	367.5	—12.5
Christiania Bank	163.5	+1.5
DenNorske Cred	165	
Elkem	146	—2.5
Kvaerner	177	—0.5
Norsk Data	400	—7
Norsk Hydro	103	—3.5
Storebrand	235	

SPAIN

Mar. 5	Price Pta%	+ or —
Bco Bilbao	337	
Bco Central	315	—5
Bco Exterior	206	
Bco Hispano	160	+1
Bco Popular	375	
Bco Santander	345	
Dragados	180.0	—3.5
Hidrola	84.7	—0.5
Iberduero	95.7	—0.8
Petroleos	162.5	—2.0
Telefonica	124.0	+0.3

SWEDEN

Mar. 5	Price Kronor	+ or —
AGA	375	+5
Alfa-Laval	191	—1
ASEA (Free)	330	+5
Astra (Free)	360	—5
Atlas Copco	108	—2
Cardo (Free)	260	+7
Cellulosa	124	+1
Electrolux B	312	+1
Ericsson	299	+4
Esselte	390	+15
Mo Och Domsjo	242	+1
Pharmacia	215	+4
Saab Scania Free	440	
Sandvik	387	
Skandia	280	+2
Skan Enskl'da	51	—0.5
SKF	210	—2
St Kopparbergs	145	
Sven Handlesbn.	167	—3
Swedish Match	252	
Volvo B (Free)	301	+3

SWITZERLAND

Mar. 5	Price Frs.	+ or —
Alusuisse	905	+20
Bank Leu	3,715	+15
Brown Boveri	1,740	+40
Ciba Geigy	3,050	—30
do. (Part Certs)	2,400	+10
Credit Suisse	2,415	+15
Elektrowatt	2,695	+35
Fischer (Geo.)	765	+10
Hoff-RochePtCts	86,250	+125
Hoff-Roche 1/10	8,650	+50
Jacobs Suchard	6,325	+25
Jelmoli	1,970	+10
Landis & Gyr	1,700	+5
Nestle	6,540	—70
Oer-Buehrle	1,505	+10
Pirelli	298	+1
Sandoz (Br)	8,125	+25
Sandoz (PtCts)	1,410	+35
Schindler (PtCts)	770	+5
Sika	1,140	
Surveillance	4,270	+20
Swissair	1,180	+10
Swiss Bank	367	—1
Swiss Reinsce	9,600	
Swiss Volksbk	1,490	
Union Bank	3,685	+15
Winterthur	3,790	
Zurich Ins	20,650	+100

AUSTRALIA

Mar. 5	Price Aust $	+ or —
ANZ Group	4.6	—0.02
Alliance Oil Dev	1.05	
Ampol Pet	1.82	+0.04
Ashton	0.92	+0.02
Aust Cons Ind	1.94	—0.01
Aust. Guarantee	2.6	—0.01
Aust. Nat. Inds	2.58	—0.02
Aust. Paper	2.6	+0.05
Bell Group	6	
Bell Res	5.3	
Bond Corp Hldgs	1.47	+0.04
Boral	3.29	+0.05
Bougainville	1.97	
Brambles Inds	3.7	—0.05
Bridge Oil	2.22	+0.0
B.H. Prop	5.68	+0.04
CRA	5.8	—0.02
CSR	2.82	—0.01
Castlemaine Tys	4.8	+0.1
Coles (G.J.)	3.84	0.01
Comalco "A"	2.6	—0.05
Consolidated Pet	0.47	+0.02
Costain Aust	1.6	—0.05
Dunlop Aust	2.32	+0.01
Elders IXL	3.15	
Energ Res	1.52	

AUSTRALIA (continued)

Mar. 5	Price Aust. $	+ or —
Gen Prop Trust	2.2	
Hardie (James)	3.16	—0.04
Hartogen Energy	2.17	+0.02
Herald W'yTimes	3.95	—0.05
ICI Aust.	1.92	—0.01
Jimberlana F.P.	0.26	
Kia Ora Gold	0.12	
Lend Lease	6.1	—0.04
MIM	2.66	—0.01
Mayne Nickless	3.2	—0.02
Myer Emporium	1.78	—0.02
Nat. Aust. Bank	3.66	—0.01
News	12.90	
Nicholas Kiwi	2.1	
North Bkn Hill	2.3	
Oakbridge	0.74	—0.01
Pancont'l	1.34	
Pioneer Conc	1.58	
Poseidon	3	
Queensland Coal	1.45	
Reckitt & Coln	3.4	
Repco	1.2	
Santos	5.48	—0.02
Smith (Howard)	4	
Thos. Natwide	1.98	
Tooth	5.8	
Vamgas	3.4	
Western Mining	3.62	+0.02
Westpac Bank	3.48	
Woodside Petrol.	0.81	—0.01
Woolworths	3.2	
Wormald Intl	3.17	+0.02

HONG KONG

Mar. 5	Price H.K.$	+ or —
Bank East Asia	24.9	—0.6
Cheung Kong	13.5	—0.4
China Light	14	—0.5
Evergo	1.5	
Hang Seng Bank	46.25	—0.5
HK Electric	7.5	—0.15
HK Kowloon Wh.	5.6	—0.1
HK Land	4.9	—0.05
HK Shanghai Bk.	8.6	—0.2
HK Telephone	65.5	+2
Hutchison Wpa	20.3	—0.4
Jardine Math	9.4	—0.35
New World Dev	5.8	—0.1
Orient O'seas	2.47	
Oseas Trust Bk.	2.72	—0.05
SHK Props	9	—0.25
Shell Elect	1.75	
Swire Pac A	21.9	—1.4
TV—B	5.85	—0.05
Wheel'k Mard A.	7.35	+0.15
Wheel'k M'time	1.15	
World Int. Hldgs.	1.9	+0.01

JAPAN

Mar. 5	Price Yen	+ or —
Ajinomoto	1,180	+40
Alps Electric	2,260	—30
Amada	1,230	+20
Asahi Chem	831	—49
Asahi Glass	898	
Bridgestone	517	—3
Canon	1,470	
Casio Comp	2,020	—40
Chugai Pharm	1,070	—60
Citizen	565	
Daiei	641	+5
Dai Nippon Ptg	1,040	+30
Daiwa House	545	—11
Ebara	369	
Eisai	2,030	+30
Fanuc	14,290	—200
Fuji Bank	1,630	
Fuji Film	1,930	—20
Fujisawa	1,150	—30
Fujitsu	1,360	
Green Cross	2,750	—180
Hasegawa	361	
Heiwa Real Est	607	+5
Hitachi	870	—10
Hitachi Credit	1,120	+10
Honda	1,510	+40
House Food	700	—14
Hoya	2,300	—30
Itoh (C)	336	—2
Ito. Yokado	2,440	+80
Iwatsu	1,100	
JACCS	426	+1
JAL	6,170	—90
Jusco	700	—10
Kajima	374	
Kao Soap	840	—5
Kashiyama	600	
Kirin	585	+4
Kokuyo	895	—5
Komatsu	450	
Konishiroku	685	—6
Kubota	319	—2
Kumagai	630	
Kyoto Ceramic	6,350	
Maeda Const	490	+9
Makino Milling	1,380	
Makita	1,160	
Marubeni	307	
Marudai	550	—10
Marui	993	—3
MEI	1,680	—10
M'ta Elec Works	715	—13
M'bishi Bank	1,570	
M'bishi	524	+1
M'bishi Elec	388	
M'bishi Estate	575	—7

JAPAN (continued)

Mar. 5	Price Yen	+ or —
MHI	248	—2
Mitsui Co	327	—2
Mitsui Estate	659	+23
Mitsukoshi	438	—2
NGK Insulators	1,020	—20
Nihon Cement	215	+2
Nippon Denso	1,470	+50
Nippon Elect	1,190	+10
Nippon Express	340	—4
Nippon Gakki	2,220	—140
Nippon Kokan	134	—1
Nippon Oil	824	—6
Nippon Seiko	670	—8
Nippon Shimpan	535	+5
Nippon Steel	149	
Nippon Suisan	326	—1
NTV	11,150	—160
Nippon Yusen	241	—1
Nissan Motor	604	—3
Nisshin Flour	472	+2
Nisshin Steel	169	—1
Nomura	1,190	+20
Olympus	1,320	—30
Orient Leasing	3,190	+40
Pioneer	3,003	—40
Renown	628	—8
Ricoh	919	+13
Sankyo	1,330	—30
Sanyo Elect	478	—12
Sapporo	407	
Sekisui Prefab	635	—3
Seven-Eleven	8,640	—50
Sharp	1,070	
Shimadzu	646	—12
Shionogi	740	—4
Shiseido	1,060	—20
Sony	4,880	—140
Stanley	1,010	—60
S'tomo Bank	1,810	—10
S'tomo Elect	928	—12
S'tomo Marine	635	—2
S'tomo Metal	146	—1
Taihei Dengyo	410	+10
Taisei Corp	200	+2
Taisho Pharm	1,090	
Takeda	871	—4
TDK	6,390	—160
Teijin	432	—1
Teikoku	636	+3
Tokyo Marine	827	—13
TBS	780	—7
Tokyo Elect Pwr	1,560	—20
Tokyo Gas	163	—1
Tokyo Sanyo	765	—5
Tokyo Style	706	—14
Tokyu Corp	515	+5
Toppan Print	879	+4
Toray	470	+18
Toshiba Elect	419	
TOTO	650	+9
Toyo Seikan	869	—4
Toyota Motor	1,350	—30
Victor	2,390	—50
Wacoal	700	—5
Yamaha	818	—17
Yamanouchi	3,890	—60
Yamazaki	628	
Yasuda Fire	417	—4
Yokogawa Bdge.	420	—5

SINGAPORE

Mar. 5	Price $	+ or —
Boustead Hldgs.	1.80	—0.03
Cold Storage	2.72	
DBS	6.30	
Genting	5.9	+0.1
Haw Par. Bros	2.49	—0.06
Hong Leong Fin.	3.24	—0.02
Inchcape Bhd	2.7	+0.01
Keppel Shipyard	1.83	—0.07
Malay Banking	6.15	+0.05
Malay Utd. Ind	2.38	+0.05
Multi Purpose	1.00	+0.01
OCBC	9.55	
OUB	4.00	
Public Bank	1.69	—0.02
Sime Darby	2.05	—0.02
Singapore Press	6.40	—0.1
Straits Trdg	4.54	—0.04
Tat Lee Bk	2.88	+0.03
UOB	4.62	

SOUTH AFRICA

Mar. 5	Price Rand	+ or —
Abercom	1.25	
AE&CI	6.65	—0.05
Allied Tech	48	
Anglo Am Coal	43.75	
Anglo Am Corp	22.7	—0.3
Anglo Am Gold	160	
Barclays Bank	14.1	+0.1
Barlow Rand	9.75	+0.05
Buffels	68	—0.75
CNA Gallo	2.25	
Currie Finance	3.5	
De Beers	9.15	—0.08
Driefontein	48.85	—0.4
FS Geduld	41.60	+1.25
Gold Fields SA	27.25	—1.25
Highveld Steel	3.80	
Nedbank	9	—0.15
OK Bazaars	12.75	
Protea Hldgs	1.2	
Rembrandt	31	—0.25
Rust Plat	15.6	—0.15
Safren	12.3	
Sage Hldgs	6.7	
SA Brews	5.65	
Smith (C.G.)	19.50	—0.25
Tongaat Hulett	5.75	
Unisec	4.65	

CANADA

TORONTO
Prices at 2.30pm March 5

Sales	Stock	High	Low	Close	Chng
664	Abti Prce	$50	49½	50	+⅛
7720	Acklands	$17⅛	16¾	17⅛	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10800	Coseka R	270	270	270	
1743	Crownx	$18½	18¼	18½	+¼
4550	Czar Res	155	155	155	—3
282357	Daon Dev	420	390	415	+35
4500	Daon A	450	450	450	+30
2560	Denison A	$13⅞	13⅝	13⅝	—⅛
26800	Denison B f	$12⅞	12½	12⅝	—¼
950	Develcon	$9¼	9⅛	9¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1701	Lac Mnrls	$27⅛	27	27	—¼
3120	LOnt Cem	$11⅞	11⅝	11¾	+⅜
3750	Lacana	$10⅞	10¾	10¾	—⅛
4005	Loblaw Co	$19	18⅝	18⅝	—⅜
500	MICC	230	230	230	
3931	Mclan H X	$26¾	26½	26¾	+¼
38615	Merland E	420	410	415	—5
1667	Molson A f	$16¼	16	16⅛	—⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
300	Suncor pr	$25	25	25	+¼
5891	Sydney o	23	20	20	—5
3000	Talcorp	96	94	96	+2
2093	Teck Cor A	$11¾	11½	11⅝	
44714	Teck B f	$12⅛	11⅞	12	+⅛
8297	Tex Can	$33½	33¼	33¼	
100	Thom N A	$58	58	58	+½
32918	Tor Dm Bk	$19⅝	19¼	19⅝	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL
Closing prices March 4

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Quote	Close	Ch'ge Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
Genetl.	41	35⅝	35⅝	35⅝	+⅛
GenetS	649	7⅞	7½	7⅞	—⅛
Genex	264	6⅛	5¾	6⅛	+⅛
Genova .10e	6	6¾	6⅝	6¾	+⅛
GaBnd .05e	13	6	5⅞	6	+⅜
GaFBk	106	11¾	11½	11½	—¼
GerMd s .08	119	7⅝	7⅜	7⅝	—⅛
Gibson .28	2	10½	10½	10½	+¼
GbsG .36	1098	34⅝	34¼	34¼	—⅛
GigaTr	118	20⅛	19½	20⅛	—⅛
GlenFd	812	11	10¾	10⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

AAH	130	+10
BSR Intl.	144	+9
Banro Inds.	100	+12
Brammer	305	+11
BP	543	+13
British Telecom	124	+4
Burton	441	+8
Dav. & Metc. A	67	+11
Equity & L	235	+18
GRE	648	+22
Hawley Group	113	+9
Hillsdown	160	+5
Hopkinsons	160	+15
Midland Bank	360	+10
Minet Hldgs.	273	+9
NatWest Bank	653	+10
Oriflame Int'l	835	+60
Pauls	360	+25
Royal Bk. of Scot.	254	+8
Smith (W.H.) A	192	+8
Stock Conversion	452	+12
Unilever	£12¼	+1

FALLS

Aitken Hume	170	—12
Brit Arrow	101	—5
Burn. & Hallams	60	—5
Cons. Gold Fields	487	—8
Grand Met	277	—5
Polytech Marine	190	—10
Provident Fin	206	—5
Turriff Corp.	300	—45

LONDON STOCK EXCHANGE

MARKET REPORT

Equities rally from lower opening to close marginally higher on session

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1

* "New-time" dealings may take place from 9.30 am two business days earlier.

Currency influences continued to play the crucial role in London stock markets yesterday. The dollar's latest rampage against all leading currencies accompanied opening uncertainty but sterling's mid-morning rally from the lowest rate caused leading equities to begin a similar movement. Subsequent announcements of good corporate profits from both financial and industrial sector leaders accelerated the markets' recovery and the closing tone was the session's firmest.

NatWest Bank's 30 per cent profit increase at the pre-tax stage was extremely encouraging, being well in excess of market estimates. The sharp rise in the tax charge occasioned by the phasing out of capital allowances, however, muted investors' enthusiasm and much of the initial price rise was lost. NatWest eventually came back from 660p to close a net 10 up at 653p, while Midland settled the same amount higher at 360p. On the other hand, Barclays finished 4 down on balance at 593p, after 605p, awaiting tomorrow's preliminary statement which, it is feared, could contain a fund-raising proposal.

Unilever's annual figures, up 20 per cent on the previous year, also gave confidence to potential buyers of equities. Although business was relatively thin, demand often uncovered stock shortages and pressure was exerted on traders running bear positions. Illustrating the day's turnround, the FT Ordinary Share Index had by noon regained most of an opening loss of 6.3. Thereafter, it nudged higher to close 2.1 up on the day at 982.0.

The combination of a weak pound and higher money market rates — three month interbank moved above 14 per cent — stifled interest for Government stocks. Early losses ranged to ¼ but they were recovered in extremely light trading soon after midday. Business was at a standstill throughout the afternoon but quotations edged a touch higher and the majority showed minor gains at the end of the day. Index-linked issues gave ground after Monday's upturn and the authorities were not bid for supplies of the two recently-created £150m tranches of stock.

Midland below best

Hopes that Midland will emulate NatWest's fine profit performance when the bank announces its preliminary figures today, caused the former to rise sharply to 365p, before closing a net 10 higher on balance at 360p; brokers estimate annual pre-tax profits in the £80m to £100m range. Lloyds, which brings the dividend season to a close on Friday, touched 550p but succumbed to profit-taking and closed only a penny dearer at 543p. Elsewhere, Royal Bank of Scotland rose 8 to 254p, reflecting the success of the rights issue. Provident Financial's annual results were in line with expectations but the shares, after touching a 1984-85 peak of 220p, drifted down on profit-taking to finish a net 5 down on balance at 206p.

Many good gains were recorded in the Insurance sector. Life issues, still hopeful that the Chancellor's recent action on "dividend-stripping" will exempt from any pension legislation in the Budget, made progress with Equity and Law notable for a rise of 16 to 235p and Prudential for a gain of 12 to 548. Legal and General put on 8 at 618p. Lloyds Brokers, meanwhile, reflected renewed consideration of their substantial dollar earnings potential. Willis Faber closed 20 higher at 640p, after 650p, and Minet 9 dearer at 273p. Among Composites, Royals hardened a penny to 573p, after 576p, on further consideration of the results, while General Accident firmed 10 to 538p, after 543p, awaiting today's annual figures, GRE jumped 22 to 648p.

W. H. Smith wanted

Leading Buildings displayed small irregular movements following another quiet trade. Cement producers, firm on Monday on vague rumours of a cement price increase, wilted in the absence of further interest. Elsewhere, recently-overlooked Tarmac found support and rose 6 to 482p, but BPB Industries drifted off to close 5 cheaper at 235p. Secondary issues displayed a dull feature in Turriff, down 45 at 300p, following the board's indication of sharply lower profits due to contract completion delays. Tysons Contractors shed 4 to a 1984-85 low of 43p on lack of support, while the beleaguered Burnett and Hallamshire lost 5 more to 60p, after 55p, pending the outcome of talks with its bankers about reducing debts. Lower annual profits left USM-quoted Johnstone's Paints 5 lower at 75p.

ICI opened lower at 840p on Wall Street influences, but picked up following revived domestic demand to close 4 dearer on balance at 848p.

House of Fraser traded in subdued fashion and closed a penny dearer at 404p, or 4 above the level of cash offer from Alfayed Investment and Trust. Consideration of Monday's bid, however, stimulated demand for other speculative favourites. W. H. Smith A were a major beneficiary and advanced 8 for a two-day gain of 14 to 192p. Harris Queensway touched 190p before settling 4 higher at 184p, while Burton ended 8 up at 441p. Woolworth rallied 10 to 575p in a thin market, but Debenhams, up to 211p earlier, finished only a net penny better at 209p. Among smaller-priced counters, renewed interest developed for Martin Ford, which rose 2½ to a 1984-85 peak of 32p.

British Telecom returned to prominence in Electricals, rising 4 to 124p; the third-quarter figures are scheduled for March 21. Racal improved the same amount to 210p and Thorn EMI hardened 2 to 449p. GEC also firmed 2 to 198p amid strong talk that the company was once again buying-in its shares. Plessey, however, remained on offer at 176p, down 4. Elsewhere, BSR gained 9 to 144p in anticipation of today's preliminary results, while revived speculative buying prompted rises of 5 and 7 respectively in Crystalate, 205p, and Oxford Instruments, 275. Polytechnic Marine fell 10 more for a two-day decline of 25 to 190p on the poor half-year figures.

Engineering leaders followed the general trend. TI, down to 228p initially, rallied to close 4 higher on the day at 236p, following news of the deal with Alco Standard Corporation of America. GKN ended a couple of pence dearer at 215p and Vickers 3 higher at 255p. Elsewhere, speculative demand lifted Hopkinsons 15 to 160p. Banro advanced 12 to 100p on the profits and dividend forecast contained in its circular advising shareholders to reject the bid from CH Industrials. Buying ahead of tomorrow's preliminary figures left Davies and Metcalfe "A" up 11 more at 67p, while bid chestnut, Birmid-Qualcast, advanced 3½ further to 91p. Ransomes Sims, still reflecting the bumper annual results and capital proposals, rose afresh to 650p before settling 7 higher at 635p for a two-day gain of 90. Other noteworthy improvements included Laird Group, up 7 at 160p, and British Steam Specialties, 10 to the good at 123p.

Unilever please

Leading Foods made modest progress, but current speculative favourite United Biscuits slipped 5 to 197p in the absence of any takeover developments; the annual results are due next Wednesday. On the other hand, Ranks Hovis McDougall attracted late interest and closed a penny dearer at 133p, while Avana firmed 6 to 594p. News of a £7.4m rights issue clipped 5 from Glass Glover, to 270p. USM-quoted Freshbake touched 109p before closing a couple of pence dearer at 105p following the acquisition of the loss-making McKellar Watt.

The chairman's warning of significantly lower profits for the first half of the current year due to the poor performance of its U.S. consumer products activities hit Grand Metropolitan which reacted to 272p prior to closing a net 5 down at 277p. Among other Hotels and Caterers, Trusthouse Forte were again favoured and firmed 3 more to 158p.

Encouraged by better-than-expected preliminary figures from Unilever, which closed a point higher at £12¼, leading miscellaneous industrials picked up from a dull start. BOC, down to 288p at one stage, ended 3 firmer on balance at 293p, while BTR, 643p, and Hanson, 213p, also ended with gains of a few pence. Elsewhere, Pauls advanced 25 to 360p following the revised offer from Harrisons and Crosfield. Comment on the preliminary figures spurred renewed buying of Hawley Group, which rose 9 further to 113p, while Oriflame responded to the results and capital proposals with a rise of 60 to 835p. Christies, still reflecting its overseas earnings potential, encountered fresh support and rose 13 to 596p. Brammer, dull recently on fading bid hopes, rallied 11 to 305p. Speculative demand prompted a gain of 10 to 175p in Evered, and further buying ahead of the preliminary figures, due shortly, left Metal Closures up 4 more at 168p. AAH gained 10 to 130p on the nine-month results and increased interim dividend, while occasional support lifted Foseco 5 to 245p.

Furniture hire group Medminster continued to reflect the good half-year results and rose 12 for a two-day gain of 17 to 170p.

Jaguar attracted good demand after-hours and advanced 8 more for a three-day leap of 25 to 347p. Group Lotus, still anticipating a closer link with U.S. giant Chrysler, improved 3 more to 98p, while buyers continued to display interest in A.C. Cars, 4 up at 44p.

A gradual improvement in Properties gathered pace late in the session and the leaders finished on a distinctly firm note. MEPC were finally 5 higher at 303p and Land Securities a couple of pence dearer at 294p. Peachey firmed 4 to 246p on late demand, while takeover favourite Stock Conversion moved up 12 to 452p. Elsewhere, Daon Development Corporation, in recipt of a $3 per share offer from Ball Canada Enterprises, rose 20 to 260p on hopes of a higher bid.

Textiles remained irregular. Courtaulds attracted fresh support and hardened 3 more to 160p, but Dawson International gave up 4 to 302p. Renewed speculative demand lifted Harold Ingram 10 for a two-day advance of 45 at 130p.

Tobaccos again highlighted Bats which rose 5 more to 370p as some 5m shares changed hands in the first hour of U.S. trading.

Aitken Hume slumped to 166p before closing 12 lower on balance at 170p following news that discussions with Fleet Holdings originally aimed at achieving a "mutually beneficial association" had been discontinued; Fleet were unchanged at 272p, after 269p. Elsewhere in Financials, profit-taking clipped 5 from recent takeover favourite Britannia Arrow, at 101p, but J. J. and D. Frost advanced 6 to 66p after acquisition news from its Honeyfall subsidiary.

BP gain ground

Reported North Sea oil price worries were shrugged off by leading Oil stocks which continued to make good progress. Sector leaders BP and Shell advanced 13 apiece to 543p and 783p respectively, the former in front of the preliminary results, expected tomorrow. Demand for both issues was said to have been evenly spread between UK and American buyers. Royal Dutch hardened ½ to £50, while LASMO revived with an 8 gain to 348p. Encouraging exploration news from the Far East helped Britoil to close 3 firmer at 210p, while Ultramar, scheduled to announce annual figures a week today, put on 5 to 205p.

Cons. Gold easier

Another powerful performance by the dollar halted the fragile recovery trend in mining markets. Bullion opened on a steady not but gradually gave ground to close a net 50 cents easier at $288. Consequently South African gold and related sectors did little more than drift easier on lack of interest. Initial weakness in the rand prompted light selling from South African centres but a minor rally in the currency around midday ensured a virtual close-down of Cape activity.

The Gold Mines index gave up 1.6 to 476.2.

Beatrix Mines followed their dismal London debut with another poor performance; after opening lower at 40p the nil-paid shares dipped 12 to a closing level of 33p premium, compared with Monday's initial level of 68p.

Financials were similarly subdued. UK-registered issues showed Consolidated Gold Fields 8 lower at 487p following the interim results a shade below market expectations.

Marginal gains in overnight markets "down-under" helped Australians to get off to a firm start. However, interest remained at a low ebb and most issues closed with minor changes in either direction.

Canadian exploration issues were highlighted by junior gold explorer Admiral Mines which more than doubled to close 9 up at 16p following heavy speculative activity in Vancouver overnight.

Volume in Traded Options decreased sharply and total contracts struck amounted to 6,944 comprising 4,118 calls and 2,826 puts.

FINANCIAL TIMES STOCK INDICES

	Mar. 5	Mar. 4	Mar. 1	Feb. 28	Feb. 27	Feb. 26	year ago
Government Secs.	80.15	80.19	80.17	80.56	80.22	79.29	85.31
Fixed Interest	83.55	83.56	83.69	83.76	83.71	83.17	86.91
Ordinary	982.0	979.9	975.0	979.9	980.2	975.0	841.6
Gold Mines	476.2	477.8	476.6	466.5	468.1	448.7	702.6
Ord. Div. Yield	4.43	4.45	4.47	4.45	4.44	4.45	4.37
Earnings, Yld.% (full)	11.27	11.30	11.36	11.18	11.11	11.12	9.38
P/E Ratio (net) (*)	10.62	10.59	10.64	10.80	10.81	10.80	12.89
Total bargains (Est.)	25,006	24,592	25,534	25,013	24,601	27,583	22,658
Equity turnover £m.	—	454.05	372.23	360.25	453.85	318.88	344.51
Equity bargains	—	24,052	19,695	19,510	20,879	20,658	20,615
Shares traded (ml)	—	211.3	175.0	185.1	226.6	166.2	145.8

10 am 973.6. 11 am 978.6. Noon 979.7. 1 pm 981.7.
2 pm 981.5. 3 pm 981.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
*Nil=10.29.

HIGHS AND LOWS / S.E. ACTIVITY

	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Mar. 4	Mar. 1
Govt. Secs.	83.77 (8/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)	Daily Gilt Edged Bargains	160.0	162.6
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Equities Bargains	155.8	128.6
					Value	917.7	752.4
Ordinary	1084.5 (22/1/85)	755.3 (25/7/84)	1084.5 (22/1/85)	49.4 (26/6/40)	5day Average Gilt Edged Bargains	162.1	159.7
Gold Mines	711.7 (8/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	Equities Bargains	135.6	134.3
					Value	791.2	728.8

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (125)

BRITISH FUNDS (1)
AMERICANS (18)
CANADIANS (4)
BANKS (3)
BUILDINGS (2)
STORES (2)
ELECTRICALS (5)
ENGINEERING (12)
FOODS (2)
INDUSTRIALS (19)
INSURANCE (5)
LEISURE (2)
MOTORS (2)
NEWSPAPERS (1)
PAPER (4)
PROPERTY (4)
SHIPPING (1)
SHOES (1)
TRUSTS (33)
OILS (2)
MINES (2)

NEW LOWS (20)

BUILDINGS (3)
Travis Arnold, Warrington (Thos.), Tysons (Contractors)
STORES (1)
Peters Stores
ELECTRICALS (6)
Air Call, Memory Computer, Checkpoint Europe, Plasmec, Forward Technology, Polytechnic Marine
ENGINEERING (1)
Belgrave Hldgs.
FOODS (1)
Sutherland (E. T.)
INDUSTRIALS (4)
Bardsey, Centreway Ind., Bespak, Midland Marts
LEISURE (1)
Radio City A N-V
PROPERTY (1)
Cussins Property
MINES (2)
Stilfontein, Gem Explrtn. Mins.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	20	55
Corpns. Dom. and Foreign Bonds	3	13	57
Industrials	286	258	897
Financial and Props.	125	97	325
Oils	125	97	325
Plantations	32	31	60
Mines	5	5	7
Others	42	40	56
Totals	604	514	1,587

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌ Allotment letters or fully paid. ‖‖ Introduction. ※ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln. stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8
Apr 1	Apr 19	July 11	July 22

For rate indications see end of Share Information Service

Call options were transacted in Davy Corporation, Falcon Resources, John Brown, Hillsdown, Pentland, CASE, Aurora, Britannia Arrow, Crystalate, Atlantic Resources, Combined Technologies, Mnemos, Bristol Oil and Minerals, Phicom, Palma, Racal, Waring and Gillow, Sound Diffusion, Freshbake Foods, Dataserv, George Wimpey, More O'Ferrall, Renold, A & M Hire and Eglington Oil and Gas. No puts were reported, but a double was struck in John Mowlem.

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
BAT Inds	45	365	+30
ICI	31	844	+ 2
Hillsdown	25	156	− 8
Shell Trans	25	770	+10
House of Fraser	24	403	+57
Jaguar	24	339	+11
Imperial Group	21	190	+ 5
Burnett Hallams	19	65	− 5
Hawley Group	19	104	+ 4
Brammer	18	294	−12

ACTIVE STOCKS

Stock	Closing price	Day's change
GRE	648	+22
Hawley Group	113	+ 9
Hopkinsons	160	+15
Ind Fin and Inv	218	−17
Laird	160	+ 7
Minet Holdings	273	+ 9
NatWest Bank	653	+10
Provident Financial	206	− 5
Royal Bk of Scotland	254	+ 8
TI	236	+ 4
Turriff Corporation	300	−45
Unilever	£12¼	+ 1

Above average activity was noted in the following stocks yesterday

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*540)	420	125	—	—	2	—	—
	460	85	90	97	2	9	14
	500	48	57	65	11	19	28
	550	20	35	45	40	48	55
	600	8	20	27	88	90	98
Cons. Gold (*487)	460	37	52	60	9	16	22
	500	15	27	37	35	42	47
	550	6	14	20	77	82	90

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*191)	160	38	41	—	2	3	—
	180	21	25	29	6	8	10
	200	12	17	21	14	20	25
	220	6	10	13	33	36	41
LASMO (*343)	300	50	58	—	4	8	—
	330	33	40	50	14	22	27
	360	22	26	36	35	40	43

Mar. 5. Total contracts 6,944 Calls 4,118. Puts 2,826
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
97¾	93⅞	Treas 3pc 1985	97¾	+1/32	3.07	14.03
102⅝	99⅞	Treas 11½pc 1985	99⅝	+¼	11.59	13.61
99⅜	96⅞	Treas 8¾pcCnv '85	97¾	−1/16	8.94	13.23
104	99	Exch. 12¼pc 1985	99	.....	12.32	12.96
103	99	Exch. 11¾pc '86	99	.....	11.85	12.64
102	96	Treas. 10pcCnv 1986	97 xd	.....	10.28	12.77
94	88¾	Treas 3pc 1986	94	+⅛	3.19	8.33
102	96¼	Exch. 10½pc Cv '86	97	+	10.75	12.59
104	99	Treas 12pc 1986	99	.....	12.07	12.43
98¾	93½	Treas 8¾pc 1984-86‡‡	96	.....	8.85	11.78
108	102	Exch. 14pc 1986	102½	.....	13.66	12.22
89¾	85	Exch. 2½pc 1986	89	−	2.80	9.30
107	100	Exch. 13¼pc 1987	101	−	13.00	12.04
100⅞	94½	Treas 10¼pcCv '87	97⅞	.....	10.54	11.86
87¾	83¾	Exch 2½pc 1987	87	.....	2.86	9.56
101	94½	Exch. 10½pc 1987	97 xd	+	10.78	11.96
92¾	87	Funding 6½pc '85-87‡‡	91¼	.....	7.12	11.17
99⅝	92⅞	Treas. 10pc 1987	96	+	10.41	12.00
86¾	81	Treas 3pc 1987	86¾	−	3.47	9.59
105	97¾	Treas. 12pc 1987	100	+	11.99	11.94
94⅞	87	Treas 7¾pc 1985-88‡‡	92¼	−	8.41	10.99
100¾	92	Exch 10½pc '88	96¼	+	10.91	11.94
98	89	Treas 9¾pc Cv '88	94	.....	10.35	11.92
83½	77	Transport 3pc '78-88	83½	−	3.61	8.98
96	88	Treas. 9½pc '88	92	.....	10.29	11.97
106¾	94	Treas 11½pc 1989	98	.....	11.64	11.88
96	87	Treas 9½pc Cnv. '89	92	−	10.31	11.95
99⅝	90	Treas 10½pc 1989	95	.....	11.03	11.95
100	88⅞	Exch 10pc 1989	93	.....	10.73	10.02
101	94¾	Exch 11pc 1989	96 xd	.....	11.36	11.92
85¾	77½	Treas 5pc 1986-89	81⅝	.....	6.13	10.07
114¾	100⅞	Treas 13pc 1990‡‡	104⅝	.....	12.42	11.71
20⅞	19	Exch 11pc '90 (£20pd)●	19⅞	.....	11.30	11.71
		Five to Fifteen Years				
110⅞	100¾	Exch. 12½pc 1990	102¼ xd	.....	12.18	11.79
94¾	84⅞	Treas 8¼pc 1987-90‡‡	91	.....	9.25	11.00
98	90⅝	Treas. 10pcCv 1990	96¼	.....	10.81	11.84
108¾	94¼	Treas 11¾pc 1991	101¼	+⅛	11.83	11.89
84⅞	75⅝	Funding 5¾pc '87-91‡‡	80⅝ xd	.....	7.09	9.98
105¾	93⅞	Exch. 11pc 1991	100¼	.....	11.43	11.81
113¾	98⅞	Treas 12¾pc 1992‡‡	105¼	+⅛	12.23	11.82
100⅝	86	Treas 10pc 1992	92⅞	.....	10.81	11.59
101	94	Treas 10½pc Cv 1992‡‡	99¼	.....	11.14	11.69
111¼	95¼	Exch. 12¼pc '92	102½	.....	12.03	11.88
117½	104⅝	Exch 13½pc 1992	106⅝ xd	+⅛	12.59	12.02
113⅝	98¼	Treas 12½pc 1993‡‡	105¼	+⅛	12.08	11.83
79⅝	71¼	Funding 6pc 1993‡‡	76⅞ xd	+⅛	7.79	10.08
121¼	106¼	Treas 13¾pc 1993‡‡	113⅝	+⅛	12.53	11.91
126¾	108¼	Treas 14½pc 1994‡‡	115 xd	+⅛	12.63	11.78
120⅝	106	Exch 13½pc 1994	113	.....	12.48	11.99
114¾	96¾	Exch. 12½pc 1994	104	+⅛	12.07	11.86
94½	82⅞	Treas 9pc 1994‡‡	90¼	.....	10.28	11.12
110⅝	94⅞	Treas 12pc 1995	102¼	+⅛	11.89	11.83
67¼	58¾	Gas 3pc '90-95	67	.....	4.55	7.95
100¼	86	Exch. 10¼pc 1995	93¼	+⅛	11.14	11.51
117⅞	102⅝	Treas 12¾pc 1995‡‡	109⅞	+⅛	12.03	11.74
124¾	106⅞	Treas. 14pc '96	113⅞	+⅛	12.48	11.95
94⅞	83½	Treas 9pc 1992-96‡‡	86¼ xd	.....	10.41	11.17
134⅞	118¼	Treas 15¼pc 1996‡‡	125⅝	+⅛	12.66	11.88
122¼	106½	Exch 13¼pc 1996‡‡	113¼	+⅛	12.08	11.63
72¼	63¼	Redemption 3pc 1986-96	72 xd	.....	4.15	6.44
121¼	104½	Treas 13¼pc 1997‡‡	111¼	+⅛	12.02	11.64
104½	87⅝	Exch 10½pc 1997	94¼	.....	11.19	11.45
92½	77½	Treas 8¾pc 1997‡‡	84 xd	.....	10.43	11.17
134¾	118⅝	Exch. 15pc 1997	125½	.....	12.52	11.92
98¼	84½	Exch. 9¾pc 1998	90⅞	.....	10.88	11.29
94	88⅝	Exch. 9¾pc 1998 'A'	91¼	.....	10.88	11.24
78	68	Treas 6¾pc 1995-98‡‡	74	+⅛	9.42	10.84
138⅝	122⅝	Treas. 15½pc '98‡‡	129⅝ xd	.....	12.44	11.81
115	100⅞	Exch. 12pc 1998	107	+⅛	11.59	11.47
97¾	83⅞	Treas 9½pc 1999‡‡	90⅝	.....	10.70	11.09
116¾	103⅝	Exch. 12¼pc 1999	105 xd	+⅛	11.59	11.44
104½	91	Treas. 10½pc 1999	98	.....	11.06	11.22
102½	89⅝	Conversn 10¼pc 1999	96	.....	11.01	11.21
		Over Fifteen Years				
123⅝	106⅞	Treas. 13pc 2000	113⅝	.....	11.68	11.42
128½	112⅝	Treas. 14pc '98-01	119¾	+⅛	12.15	11.70
114⅞	98⅝	Exch. 12pc '99-02	105⅞	.....	11.52	11.38
100⅝	90	Conv. 10pc 2002	92¾ xd	.....	10.67	10.82
128¾	110¼	Treas. 13¾pc 2000-03	118	.....	11.80	11.45
114⅞	101⅞	Treas. 11½pc 2001-04	103 xd	.....	11.12	11.05
51¼	43¾	Funding 3½pc '99-04	48¼	+⅛	7.33	9.41
99⅞	95⅝	Exch. 10½pc 2005	99⅝	.....	10.63	10.65
129⅝	107⅞	Treas. 12½pc 2003-05	115½	.....	11.17	10.98
87⅞	76⅞	Treas. 8pc 2002-06‡‡	79¾ xd	.....	10.02	10.35
117⅞	100	Treas. 11¾pc 2003-07	107½	+⅛	11.07	10.96
132⅞	117½	Treas. 13½pc '04-08	118⅝ xd	.....	11.31	11.05
64⅞	56¼	Treas. 5½pc 2008-12‡‡	58⅝ xd	−⅛	9.37	9.89
85¼	72⅞	Treas. 7¾pc 2012-15‡‡	78⅝	.....	9.96	9.89
124⅝	108⅞	Exch. 12pc '13-'17	115⅞	.....	10.61	10.54
		Undated				
41½	35⅞	Consols 4pc	38½	−⅛	10.49	—
37⅞	32½	War Loan 3½pc‡‡	34¾	−⅛	10.34	—
44⅞	40½	Conv. 3½pc '61 Aft.	41½ xd	.....	8.38	—
31¼	27¼	Treas. 3pc '66 Aft.	28½	.....	10.57	—
25¾	22¼	Consols 2½pc	23⅞ xd	.....	10.38	—
26	23	Treas. 2½pc	23¾ xd	.....	10.45	—
		Index-Linked (b)			(1)	(2)
110¾	101	Treas. 2pc '88 (297.1)	110⅝ xd	−⅛	3.14	4.20
97¼	85	Do. 2pc '90 (333.9)	97¼	+⅛	3.02	3.70
113¾	98⅝	Do. 2pc '96 (267.9)	119⅝ xd	−¼	3.08	3.38
102¼	88⅝	Do. 2½pc '01 (308.8)	102½ xd	−¼	3.02	3.25
102¼	87⅞	Do. 2½pc '03 (310.7)	102½	−¼	3.01	3.22

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

410	210	Centennial Min'ls	210	-15	—	—	—
175	70	Colby Res Corp	90		—	—	—
955	450	Cons. Murch. 10c	475		†Q100c	1.4	10.2
40	25	Emess Int. Ir10p	37	-1	—	—	—
252	150	Hampton Areas 10p	187	-3	3.75	2.1	2.7
225	140	Highwood Res	210		—	—	—
£24½	£16	Homestake Mining $1	£21⅛	-⅛	Q20c	—	0.8
295	135	McFinley Red Lake	270		—	—	—
250	101	Mosto Explorations	250	+10	—	—	—
55	23	New Sabina Res C$1	34	+1	—	—	—
365	220	Northgate C$1	325	+20	—	—	—
718	500	RTZ	633		+18.0	2.7	4.1
£155½	£113½	Do. 9½pcLn '95-2000	£139		Q9½%	35.4	†6.9
£13½	850	Tara Expln $1	£12⅞	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited.
- Not officially UK listed, dealings permitted under Rule 535(4)(a).
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- Price at time of suspension.
- Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- No par value.

B.Fr Belgian Francs. Fr French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98		Arnott	163	+6
Craig & Rose £1	£10	...	CPI Hldgs	57	-1
Finlay Pkg. 5p	68	..	Carroll Inds.	110	...
Higsons Brew	115	...	Dublin Gas	60	...
Holt (Jos) 25p	810	...	Hall (R. & H.)	44	...
IoM Stm. £1	127	...	Heiton Hldgs.	16	...
IRISH			Irish Ropes	48	...
Exch. 12% 1985	£99⅛	...	Jacob (W.& R.)	65	...
Nat. 9¾% 84/89	£85⅝	...	TMG	110	...
Fin. 13% 97/02	£90¼	...	Unidare	85	...

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs.	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	28	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	5	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 39

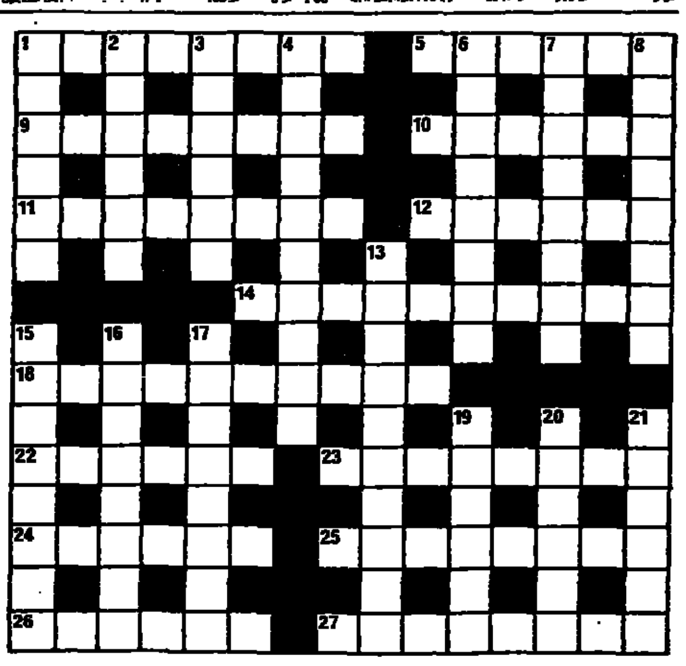
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT CROSSWORD PUZZLE No 5,661



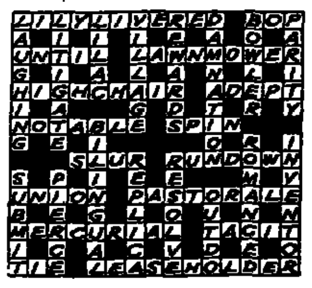
ACROSS

1 Idle, laid off, blue (8)
5 Graduated in science, taking lead perhaps (6)
9 Nuptial transport denied Daisy? (8)
10 Cliff's sound poker tricks (6)
11 Old Dutch state presumably? (8)
12 Merits coming out as striker (6)
14 Most feet in movement frequently (10)
18 Getting drunk on lake is fool-proof (10)
22 European native brilliance (6)
23 Sage in Crewer is a change (8)
24 Daniel possibly made safe (6)
25 Latex tree superior to Llareggub? (8)
26 *Important opener dropped* but still a good score, that! (6)
27 Ned Green, perhaps, is to *produce* (8)

DOWN

1 Go and release the guys in the field? (6)
2 Fog is detrimental to this superior airway (6)
3 Pinch dual ends of fuselage (6)
4 Piece of Indian tea-cake for scruffy fellow (10)
6 State friendship for Jane? Disaster! (8)
7 Could be fee-limit for the whole term (8)
8 Underworld lock brings suffering (8)
13 Laboratory worker finds Inca ethnic mutation (10)
15 Once a third of tester's small pieces (8)
16 Speech-making on Sunday is what people in Hums are doing (8)
17 Half Moon Street? (8)
19 Golly! half the left interrupt speaker (6)
20 Sixty per cent of concertinas in harmony (6)
21 Ring-adder disguised in cedar-tree (6)

Solution to Puzzle No. 5,660



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$21.66	—	...	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.

10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.8	13.3	..	3.10
Chinese Fund	57.1	59.5	....	1.70
Precious Metal Fund	69.6	72.5	...	8.30
Vanguard Cmdy Fd.	19.2	19.7	—	0.00
Financial Futures Fd.	32.4	33.7	.....	—

Yamaichi Dynamic Mngt Co SA

10A Boulevard Royal, Luxembourg

Dynamic Grth Fd.	$8.70	—	...	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	14.21	14.84	6-mth	Call
7-day Fund	14.05	14.66	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	13.70	14.16	6-mth	Call
7-day Fund	13.93	14.4	6-mth	7-day
Money Mngt. Acc.	13.50	14.20	3-mth	Call
Dollar	6.62	6.72	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	13.75	14.48	Qtr	Call
Mth. Inc. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.25	14.09	Mthl	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-558 2777				
Cater Allen	13.25	14.09	Mthl	Call
Charterhouse Japhet plc				
2 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mthl	Call
U.S. Dollar	7.50	7.763	Mthl	Call
German Marks	5.0	5.115	Mthl	Call
Swiss Francs	2.0	2.018	Mthl	Call
Japanese Yen	5.0	5.116	Mthl	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.56	14.20	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.25	14.09	Mthl	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Rate	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.25	14.10	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.38	14.06	Qtr	Call
Provincial Trust (formerly Chestertons)				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc.	14.00	14.93	Mthl	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Ch. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc.	13.88	14.58	Qtr	Call
Money Acc.	13.50	14.20	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.40	14.25	Mthl	Call
Over £10,000	13.65	14.54	Mthl	Call

Notes: CAR=compounded annual rate. Int Cr=frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ◊ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ϕ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Copper prices up despite better news from Chile

BY RICHARD MOONEY

COPPER VALUES moved higher on the London Metal Exchange yesterday although news from Chile suggested disruption of supplies after the weekend earthquake might not be as serious as feared initially.

The cash high-grade copper quotation ended the day £6.50 higher at £1,283 a tonne, chiefly reflecting sterling's renewed weakness against the dollar.

The three months position climbed to £1,309 a tonne at one stage but slipped back to end the day £4.50 higher on balance at £1,299.75 a tonne, just below the psychologically important £1,300 mark. Dealers noted resistance to rises above that level with a tendency for selling to emerge on rallies.

In Santiago, Codelco, Chile's state-owned copper corporation, said full production at its El Teniente division was resuming yesterday.

Fears that the earthquake might result in a protracted production halt at El Teniente, which accounts for nearly a third of Codelco's 1m-tonne annual refined copper output, had caused a sharp rise in LME copper values on Monday.

Yesterday's news tended to confirm the less alarmist view of the situation taken by dealers in New York on Monday. The relative modesty of the New York reaction had led to sharp LME gains being trimmed back quite heavily on Monday afternoon.

While damage at El Teniente and at Codelco's Andina division is believed to be relatively minor, the earthquake is still expected to result in a deceleration in Chilean copper shipments. ments. Codelco is reported to be considering a force majeure declaration on shipments because of damage a San Antonio port, which handles El Teniente's exports.

Codelco said yesterday that 35,000 tonnes of copper awaiting shipment from San Antonio had been scattered and covered with debris but not damaged.

Exports from Codelco's Chuquicamata and Salvador divisions are handled at Antofagasta port, which was not affected by the earthquake.

● India's aluminium ouput was likely to rise to 280,000 tonnes in the 1984-85 year ending this month, up from 20,000 tonnes last year, the Economic Times said. The newspaper attributed the production rise to improvements in the electricity supply to aluminium plants, Reuters reports from New Delhi.

Pakistan mine proposal report due

BY ANDREW FISHER, RECENTLY IN PAKISTAN

A REPORT on viability of a proposed $400m copper mine in the remote Saindak region of Pakistan is due to be handed to the Government of Pakistan this month by foreign companies involved in the project.

It will form the basis for a decision by Islamabad on whether to proceed with the project, which has been studied for many years and would require $240m in foreign exchange and the balance in Pakistan currency.

If the report forecasts a likely 12 per cent return on investment the project is likely to be agreed, according to government and foreign mining sources. If it does not, approval to proceed is still possible but with finance renegotiated.

Lunar-like Saindak is in the north-west of Baluchistan province near the border with Iran. The copper deposits were discovered in 1962. Total reserves are about 412m tonnes in three ore bodies with a mineral value of more than $9bn. Prepartory site work has been done.

The mining companies in the project will be Outokumpu of Finland and RTB-BOR of Yugoslavia. Two French companies, PEC, Engineering and Cofral, will be involved. Cofral will coordinate and promote the project.

If the mine is developed, these four will combine as Saindak International Group (SIG) to take a 25 per cent stake in the project and raise the foreign exchange. The Government will hold most shares.

The Resource Development Corporation, set up in Karachi by the Government to handle its interest in the project, hopes for a definite decision on Saindak this year. It could take four years to reach production.

Pakistan does not have any large-scale mining projects, which is why the SIG companies have been brought in

Weekly metals prices

ALL PRICES as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,575-2,700.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 5.75-6.25.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.88-0.93, sticks, 0.95-1.05.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.45-11.55.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 295-304.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.93-4.03.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.00-8.50.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 73-77.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.38-2.42.

URANIUM: Nuexco exchange value, $ per lb, 15.00.

Farmland values continue to fall

THE UNDERLYING trend in English agricultural land prices continued downwards at the start of this year, according to provisional figures issued by the Ministry of Agriculture yesterday.

The average price for vacant possession farmland changing hands in the three months ended January rose to £4,433 a hectare compared with £4,392 in the September-December quarter.

The weighted average price, which allows for area and size group variations in the sample, was, however, down to £4,289 a hectare from £4,399 in September - December. The figures were based on 136 sales covering 3,900 hectares.

● A CIVIL tribunal in Abidjan, Ivory Coast, yesterday postponed until March 18 a ruling on the case brought by state-controlled Banque Nationale de Developpement Agricole (BNDA) against Cogexim, the privately-owned Ivorian cocoa and coffee exporters, to recover CFA 29bn ($58m) of alleged debt, Peter Blackburn reports.

The judge decided more time was needed to examine 17 trunks of bank documents produced by BNDA in support of its claim. This is in addition to 3 kg of documents supplied already.

● INTERNATIONAL COFFEE Organisation export quotas were too high to be meaningful and prices must be expected to continue to decline on seasonal influences, triggering a 1m bags (60 kg each) quota cut by about the middle of this month, according to London broker E. D. and F. Man (Coffee).

A 1m bag cut in 1984-85 (October-September) quotas to 59m bags automatically occurs if the ICO average price, currently 131.58 cents a lb, drops to 130 cents.

● THE INTERNATIONAL Natural Rubber Organisation council will meet at a special session on April 2 and 3 to appoint a new Buffer Stock Manager, diplomatic sources said in Kuala Lumpur.

Two candidates, Americans, Mr Robert Sanders and Mr John Steinger, had been nominated by the U.S. for the post so far, they added. March 6 is the closing date for nominations.

CAP keeps down canned fruit prices—for the moment

BY A CORRESPONDENT

THE EEC's Common Agricultural Policy, usually criticised for bleeding the taxpayer and making the consumer pay too much for food that farmers are encouraged to overproduce, can for once be thanked for keeping down prices in shops.

The prices are those of canned fruit, which would be higher in Britain than they now are were it not for the drop in rates that Greek and Italian fruit marketed under the Del Monte brand underwent at the end of last year in what has been seen in some quarters as an attempt to buy distribution.

Australia has just announced prices averaging 9 per cent more than at a year ago, about in line with those of South Africa, the other main Southern Hemisphere producer.

They would have been raised by more like 15 per cent or 16 per cent, however, had exporters not been undercut by European canned pears and peaches enjoying duty-free entry into Britain while southern producers have a 24 per cent tariff against them throughout the EEC.

Nor have the non-EEC exporters set their prices to stay put for the rest of the season, as was traditional before the Mediterranean challenge became so potent. They may be revised again after three or four months only, and upwards is the direction in which Australia and South Africa would like them to go.

Such flexibility—or instability, depending on how it is seen—is part of the defence the southern producers are being forced to employ against Mediterranean encroachment.

Whereas the two southerners once shared 90 per cent of the British market for canned fruit, today the proportion is less than half, with Mediterranean supplies correspondingly up.

The traditional producers could once tell themselves that quality would always assure them a place at the top of the market. The Greeks and Italians, however, helped by the EEC's benevolence, have steadily lifted both quantity and quality of their products and the margin of superiority is less secure than it was.

The southern producers, however, have not stood still. Adapting to the EEC's pressures has been agonising for them. Canneries have gone into liquidation or have had to be rescued expensively, and land has been turned over to other farming.

With only the fittest surviving, though, quality has moved even higher, winning the defenders more time to look over their shoulders.

None the less, eventually the EEC penalty doubtless will confine them to a niche at the top of the market where a premium for quality, and perhaps nostalgia, will not be begrudged.

Years of trying to secure relief from the hefty 24 per cent EEC tariff have been fruitless, and part of the recently-expressed Australian irritation with EEC policies concerns the damage the tariff does to its canned fruit trade far beyond the borders of Europe itself.

As the Australians see it, duty paid on their canned fruit imports into Britain is used by the recipients in Brussels to subsidise Mediterranean exports in such outlets as the U.S., Canada and Japan, where unsubsidised Australian supplies diverted from Europe are trying to compete. Australia is thus effectively financing its own failure, they say.

Nor do the headaches end with Greece and Italy. An even more ominous threat is looming in the form of Spain's planned entry to the EEC. Australia will not mind if Spain's EEC entry negotiations drag on forever.

Warning on U.S.-EEC trade war threat

BY QUENTIN PEEL IN BRUSSELS

EUROPE AND the U.S. could not afford to become involved in an agricultural trade war and must seek to resolve their common problems through co-operation, not confrontation, Mr Willy de Clerq, European Comissioner responsible for external trade, said yesterday.

He said the current debate in the U.S. on the proposed Farm Bill was placing the EEC's Common Agricultural Policy in the role of a scapegoat for the problems of U.S. agriculture. None the less, he called on U.S. farmers to look to Washington and not to Brussels for the answer to their problems.

In a speech to the Liberal group in the European Parliament he emphasised ways in which U.S. agriculture was as much supported by state subsidies and protection against cheap imports as farming in the EEC.

He also saw the dollar's strength as a more important cause of the squeeze on U.S. farm exports than any competition from other world producers.

He said U.S. agricultural spending reached about $28m in 1983, almost equal to the total net farm income of the country. Although U.S. farmers did not rely on direct export subsidies to the same extent as European producers, they received payments in other forms, such as deficiency payments making up the difference between market prices and the cost of production.

He said the U.S. also provided an arsenal of export promotion measures, such as subsidised export credits and aid payments, which the EEC did not provide.

He cited the example of U.S. maize gluten exports to the EEC. These had risen from 600,000 tonnes in 1974 to more than 3m tonnes in 1983 as a U.S. export, causing a whole chain-reaction of disturbances on the world market.

Maize gluten sales had displaced EEC wheat as an animal foodstuff in Europe, causing the Community to export more at a heavy cost to the budget, and precipitating a row with the U.S. over unfair competition in the world market. Maize gluten

UK timber trade faces 'slow growth'

By Andrew Gowers

BRITAIN'S TIMBER trade, beset with a stagnant market in home construction and fierce competition from an aggressive new breed of retailers, faces very slow growth in profits over the next few years, a traders' conference was told yesterday.

Mr Charles Dampney, a partner in Savory Milln, stockbrokers, and specialist on the building industry, told the conference, organised by Timber Trades Journal:

"Many timber companies have been through a period of rationalisation, diversification into merchanting and expansion into the profitable home-improvement market. However successful these moves, it is now difficult to see where the next stage of substantive profits growth is coming from."

Mr Ron Groves, chairman of Meyer International, a timber company, said replacement or home - improvement business would be the main source of sales in the next decade.

The trade had undergone significant changes in recent years, with foreign shippers now selling direct into the UK market, agents and importers playing a diminished role and merchants handling much more of the business.

In a clear warning to timber merchants who have lost market share to the newer do-it-yourself superstores, he said businesses only thrived by giving good service and because it made economic sense for them to fill that role.

Mr Allen Foster, chairman of B & Q, one of Britain's largest superstore chains, estimated the home-improvement market at between £2bn and £3bn, and said it could grow by another 30 per cent over the next five years.

For the Forestry Commission, Mr George Holmes, its director-general, forecast that annual British wood production would double to about 9m cubic metres by the start of the next century.

He said recent developments such as Shotton Paper company's new pulp- and paper-mill at Highland Forest Products's structural composition board-mill at Dalcross had helped to create substantial demand for small roundwood.

LONDON MARKETS

LONDON'S COCOA futures market closed on an easy note reflecting bearish chart patterns, early falls in the New York market, and stop-loss selling.

The May position, which moved up to £2,182 a tonne on currency factors in the morning, ended £28.50 down on the day at £2,146.50 a tonne.

The coffee market continued featureless but steady with the May quotation closing at £2,454.50 a tonne, up £9 on the day. Dealers said the influence of a lower trend in New York was counteracted by the supporting influence of weaker sterling.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 5 1985	+ or —	Month ago
Aluminium	£1100	...	£1100
Free Mkt	$1120/140	—5	$1165/1185
Copper			
Cash h Grade	£1283	+6.5	£1269.5
3 mths	£1299.75	+4.7	£1287.5
Gold troy oz	$288	...	$302.25
Lead Cash	£328.25	—0.75	£347.5
3 mths	£336.25	—1.5	£349.5
Nickel			
Free Mkt	252/262c	+1	229/259c
Palladium oz	$113	...	$126.50
Platinum oz	$253.00	+0.25	$276.25
Quicksilver	$290/300	...	$295/305
Silver troy oz	533.65p	+7.30	552.85p
3 mths	551.35p	+7.15	569.70p
Tin cash	£10,197.5	+50	£9980
3 mths	£10,217.5	+60	£9931.5
Tungsten	$75.68	...	$78.27
Wolfram 22 04lb	$74/77	...	$68/72
Zinc	£841	+16	£762.5
3 mths	£814.75	+4	£759.75
Producers	$900-940	...	$900

	Mar. 5 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$785v	+5	$755
Palm Malayan	$595y	...	$670
SEEDS			
Copra Phil	$500v	...	$475
Soyabean (U.S.)	$239.2	—0.3	$249.6
GRAINS			
Barley Fut. May	£116.35	—0.15	£115.40
Maize	£149	...	£147.50
Wheat Fut. May	£117.40	—0.50	£115.85
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2146.5	—28.5	£2249
Coffee Ft. May	£2454.5	+9	£2413
Cotton A Index	67.45c	—0.05	69.50c
Gas Oil April	$223.75	+1.75	$222.75
Rubber (kilo)	66p	...	64p
Sugar (raw)	$116v	+1	$118
Wooltops 64s	516pkilo	...	521pkilo

‡ Unquoted. x April. y May. v March-April. † Per 75-lb flask. n Nominal. c Cents a pound.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1287-8	+4.75	1282.5-3.5	+6.5
3 months	1303-.5	+6.0	1299.5-300	+4.5
Settlem't.	1288	+5.0	—	—
Cathodes				
Cash	1278 80	+5.5	1273-5	+5.5
3 months	1296 8	+5.5	1294 5	+5.5
Settlem't.	1280	+5.0	—	—

Amalgamated Metal Trading reported that in the morning three months higher grade traded at £1,304, 05, 04, cash £1,287.5, 88, 87.5, three months £1,304, 03, 02.5, 03, 04, 03.5. Kerb: Three months £1,303, 02, 01, 1,300. Afternoon: [illegible]

TIN

[illegible]

LEAD

[illegible]

ZINC

[illegible]

ALUMINIUM

Alumn'm.	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1025.5-4	+6.0	1026-.5	+9.0
3 months	1060-.5	+6.0	1062.5-3	+8.5

Aluminium—Morning: Three months £1,058, 59, 58, 58.5, 59, 60. Kerb: Three months £1,061. Afternoon: Three months £1,062, 63, 62.5. Kerb: Three months £1,064, 63, 64, 65, 66.5, 66, 67, [illegible]

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	4838-40	+49.0	4845-50	+67.5
3 months	4884-5	+52.0	4885-90	+60.0

Nickel — Morning: Three months £4,880, 84, 85. Kerb: Three months £4,885, 80. Afternoon: Three months £4,875, 70, 80, 85. Kerb: Three months [illegible]

GOLD

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

INDICES

FINANCIAL TIMES

Mar. 4	Mar. 1	M'th ago	Year ago
295.77	296.45	299.56	298.37

(Base: July 1 1952 = 100)

REUTERS

Mar. 5	Mar. 4	M'th ago	Year ago
2030.5	2084.8	2014.3	1960.1

(Base: September 18 1931 = 100)

MOODY'S

Mar. 4	Mar. 1	M'th ago	Year ago
964.9	960.7	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 4	Mar. 1	Month ago	Year ago
Spot	117.21	117.42	—	—
Fut.	120.12	120.21	—	—

(Base: December 31 1974 = 100)

GRAINS

Old crop wheat was fairly volatile with July recording early gains of 35p on steadier physical trade before speculative buying disappeared and values dived sharply to close at the lows. Old crop barley followed a similar pattern in restrained trading. New crops were a little steadier on shipper buying but remained in a tight range, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Mar...	113.50	—0.50	112.90	+0.05
May...	117.40	—0.50	116.35	—0.15
July...	120.90	—0.50	—	—
Sept...	97.00	+0.20	96.80	—
[illegible]				

[illegible]

PIGMEAT

[illegible]

POTATOES

[illegible]

COTTON

[illegible]

OIL

Traders with commitments to cover in March Arab Light or Brent are having to pay high prices compared to April deliveries. Most trade was in April Brent which started strong at $27.25, weakened to below $27 before staging a partial recovery towards the close. Nymex traded 12c down at 1 pm EST. In the petroleum products market gas oil remained firm as major and end-user buying interest chased the limited supplies. Heavy fuel continued to drift downwards in a listless market because demand into the UK has stopped in the wake of the miners' strike—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—March		
Arab Heavy	27.85-27.95	+0.125
Arab Light	26.60 26.70	—
Dubai	27.00 27.05	—
Brent Blend	28.00 28.10	+0.25
W.T.I. (1pm est)	27.50-27.60*	+0.125
Forcados (Nigeria)	27.75-28.20	—
Urals. (cif NWE)	—	—
PRODUCTS—North West Europe "cif ($ per tonne)		
Premium gasoline	247-249	+1
Gas Oil	244-247	+3
Heavy fuel oil	173-178	—1.5

*April — Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
March	233.50	+3.50	235.75-31.75
April	223.75	+2.75	224.00-21.75
May	219.75	+2.50	221.00-17.50
June	216.50	+3.50	216.50-14.00
July	215.50	+3.50	215.75-14.75
Aug	220.50	+2.50	—
Sep	222.00	+9.50	—

Turnover: 3,132 (1,301) lots of 100 tonnes.

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

U.S. MARKETS

GOLD AND SILVER declined along with the currencies and expectations of further dollar strength provided the initiative for dealers to lighten up on their holdings, reports Heinold Commodities. Heating oil opened lower in anticipation of a slower demand but indications of lower production runs at the refineries firmed the market. Copper traded down sharply as weak currencies triggered arbitrage selling. Cocoa declined the daily limit on profit-taking, technical selling and origin pricing. Coffee declined slightly reacting mostly to currency swings as traders expected future cuts in the ICO quotas. Cotton also declined sharply as concern abated about potential market tightness and arbitrage offerings triggered selling. Sugar fell sharply as a private European crop estimate indicated a further expansion of the European beet acreage against expectations of a decline in plantings. A late rally in soya oil prices raised soyabeans moderately.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	48.70	48.70	48.60	49.00
April	49.05	—	—	49.35
May	49.50	49.55	49.40	49.80
July	50.35	50.55	50.50	50.85
Sept	51.20	51.35	51.35	51.60
Dec	52.45	—	—	52.75
Jan	52.85	—	—	53.15
March	53.70	—	—	53.95
May	54.55	—	—	54.75
July	55.35	—	—	55.55

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
March	2023	2100	2015	2115
May	2048	2110	2048	2138
July	2030	2090	2029	2117
Sept	2025	2080	2020	2105
Dec	1967	2005	1056	2019
March	1966	—	1965	2015
May	1960	—	1960	2015
July	1968	1970	1968	2015

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	140.65	40.85	40.50	41.00
May	141.63	41.90	41.25	41.59
July	141.30	41.70	41.20	41.30
Sept	140.45	40.55	40.10	40.40
Dec	139.45	39.45	39.05	39.25
March	138.20	—	—	38.13
May	137.50	—	—	37.75
July	135.50	—	—	36.44

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	58.35	58.90	58.30	59.05
April	58.80	—	—	59.50
May	59.20	59.80	59.10	59.80
July	59.90	60.50	59.90	60.60
Sept	60.45	61.05	60.40	61.15
Dec	61.20	61.75	61.35	61.90
Jan	61.45	—	—	62.15
March	62.00	62.00	62.00	62.65
May	62.50	63.20	63.20	63.20
July	63.05	63.50	63.36	63.75

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	64.08	64.09	63.76	64.25
May	63.59	63.83	63.26	64.07
July	64.17	64.30	63.85	64.57
Oct	64.75	64.75	64.65	64.73
Dec	64.93	64.95	64.70	64.88
March	66.05	66.10	65.99	66.13
[illegible]				

CRUDE OIL (LIGHT) 42,000 U.S. gallons—$/barrels

[illegible]

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	286.3	287.3	287.3	290.2
April	287.9	289.5	287.3	291.9
May	290.0	—	—	294.0
June	292.2	294.0	291.7	296.2
August	296.8	298.4	296.3	300.9
Oct	301.7	304.0	302.8	305.9
Dec	307.1	308.8	308.5	311.4
Feb	312.6	—	—	317.0
April	318.1	—	—	322.6
June	324.0	—	—	328.6
August	330 3	—	—	33'.0
Oct	336.5	—	—	341.3
Dec	342.9	344.0	344.0	347.8

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
April	73.65	74.70	73.50	74.56
May	71.10	72.30	70.70	71.44
June	70.00	70.75	69.10	69.61
July	69.85	70.40	68.90	69.67
Augus	70.50	—	—	69.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	166.25	67.60	65.90	65.06
May	168.65	70.35	68.50	68.80
Sept	169.50	70.20	69.50	68.90
Nov	167.30	68.50	68.00	67.40
Jan	166.25	67.15	67.00	66.25
March	166.25	67.50	67.50	66.25
May	166.25	—	—	66.25
July	166.25	—	—	66.25

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
March	249.1	—	—	254.3
April	250.0	253.0	248.6	255.2
July	255.0	258.0	254.0	260.1
Oct	260.5	263.0	259.5	265.6
Jan	267.0	270.3	267.0	272.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	568.8	571.0	562.6	577.2
April	570.0	569.0	569.0	580.5
May	574.0	578.0	568.0	584.5
July	583.1	586.5	578.0	593.8
Sept	583.4	597.0	589.0	604.1
Dec	610.0	613.5	605.0	620.9
Jan	615.8	—	—	626.7
March	627.2	631.0	629.0	638.2
May	639.3	642.0	635.0	650.4
July	652.0	—	—	663.1

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	4.16	4.28	4.09	4.35
July	4.48	4.60	4.37	4.67
Sept	4.78	4.83	4.75	4.92
Oct	4.96	5.03	4.84	5.10
Jan	5.63	5.55	5.55	5.57
May	6.20	6.24	6.10	6.25
July	6.45	6.45	6.37	6.49

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	64.17	64.40	63.97	63.97
June	66.42	66.60	66.25	66.30
August	65.67	65.75	65.35	65.60
Oct	64.00	64.15	63.86	64.05
[illegible]				

LIVE HOGS 30,000 lb, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56lb-bushel

[illegible]

PORK BELLIES 38,000 lb, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard 23.00 [illegible] York [illegible] per pound. Handy and Harman silver bullion [illegible] ounce.

OTHER MARKETS

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. March 490, 495, 494-490; May 514, 515, 523-515; Aug 539, 540, 543-540; Oct 542, 544, 546-542; Dec 545, 548, 548; Jan 544, 545, 549-544; Mar 550, 553, 554; May 556, 557, 556; Aug 567, 568, 569-567. Sales: 61.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 555.0, 564 0, 565 0-561.5; May 599.5, 600 0, 599.0-598.0; July 605 0, 606.5, 606 0-603 0; Oct 592 0, 594.5, 594.0-592 0; Dec 597 0, 598 5, 598.0-597.0; March 598.0, 605 0, untraded; May 600 0, 618.0; u/t: July 615.0, 625.0, u/t. Sales: 73.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 95 24p per kg lw (+0.60). GB—Sheep 180.21p per kg est dcw (+8 18). GB—Pigs 79.78p per kg lw (+1 59).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 75 0 to 82.0; English hindquarters 90 0 to 94.0, forequarters 53 5 to 58 0; Ulster forequarters 53.0 to 57 5. Veal: Dutch hinds and ends 123 0 to 127.0. Lamb: English small 70 0 to 80.0, medium 68.0 to 74.0, heavy 62.0 to 68 0; Imported: New Zealand PL (new season) 70 0 to 71.0, PL (old season) 67.5 to 68.5, PX (new season) 68 0 to 68 5. Pork: English under 100 lb 50 5 to 60.0, 100-120 lb 52.0 to 56.0, 120-160 lb 41.0 to 46.0.

PARIS

[illegible]

ROTTERDAM

[illegible]

CURRENCIES; MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to improve

The dollar finished close to its best level of the day on late short-covering as fears of central bank intervention receded. Despite the dollar's firm undertone there was initially some reluctance to push it too firm for fear of triggering heavy dollar sales by central banks. However the market remained divided as to whether there would be any concerted effort to contain the dollar as long as it retained its strong bullish undertone.

The latter was bolstered by an early rise in Euro-dollar rates on fears that the U.S. authorities were likely to tighten their monetary stance. News of a 0.9 per cent fall in U.S. factory orders contrasted sharply with market expectations of a 1½-2 per cent rise. However the dollar managed to shrug off any ill effects. It closed at DM 3.4335 up from DM 3.3760 and SwFr 2.9240 compared with SwFr 2.8930. It was also firmer against the yen at Y261.0 from Y259.95 and FFr 10.4650 from FFr 10.3150. On Bank of England figures, its index rose to 155.8 from 154.4.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index eased to 70.8 from 70.9, having opened at a low of 70.6 and touching a best level at 11 am of 71.0. The six months ago figure was 77.7.

Sterling resisted the dollar's rise in early trading, giving rise to specualtion that the Bank of England may have given a helping hand. This remained unconfirmed however and the pound suffered in line with other currencies on the dollar's late surge.

It closed at $1.0555, a fall of 1.3c from Monday. It touched a best level of $1.0665 but touched a low of $1.0535. It improved aaginst the D-mark to DM 3.6225 from DM 3.60 and SwFr 3.0875 compared with SwFr 3.0850. It was also firmer against the French franc at FFr 11.0375 from FFr 11.0250 but eased against the yen to Y275.25 from Y277.0.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 117.7 against 122.7 six months ago.

The dollar finished slightly below its best level in Frankfurt but remained firmly underpinned by strong speculative and commercial demand. Fears of central bank intervention receded for a while especially after the Bundesbank had refrained from selling dollar's during the fixing. Market bulls were suggesting a new ceiling of DM3.50 unless central banks act to deter further speculative buying.

Gold fell just $¾ an ounce from Monday's close in the London bullion market yesterday to finish at $287¾-$288¼. The metal opened at $288½-$289 and traded between a high of $289¼-$289¾ and a low of $287¼-$287¾. Trading was rather subdued in the afternoon as the dollar resumed its upward trend and volume slackened noticeably as traders were content to maintain square positions.

£ in New York

	March 5	Prev. close
£ Spot	$1.0540-1.0555	$1.0695-1.0705
1 month	0.50-0.47pm	0.51-0.50pm
3 months	1.09-1.05pm	1.10-1.07pm
12 months	1.65-1.50pm	1.67-1.50pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.7452	−0.35	+0.32	±1.5522
Danish Krone ...	8.14104	7.95424	−2.29	−1.62	±1.6419
German D-Mark	2.24184	2.22394	−0.80	−0.13	±1.1475
French Franc ...	6.87456	6.79888	−1.10	−0.43	±1.3669
Dutch Guilder...	2.52595	2.51871	−0.29	+0.38	±1.5171
Irish Punt	0.72569	0.715059	−1.46	−0.79	±1.6703
Italian Lira	1403.49	1384.15	−1.38	−1.38	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	March 5	Previous
8.30 am	70.6	71.6
9.00 am	70.7	71.5
10.00 am	70.6	71.0
11.00 am	71.0	71.0
Noon	70.8	70.9
1.00 pm	70.7	70.7
2.00 pm	70.8	70.9
3.00 pm	70.8	70.9
4.00 pm	70.8	70.9

POUND SPOT—FORWARD AGAINST POUND

March 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0535-1.0665	1.0550-1.0560	0.51-0.47c pm	5.57	1.11-1.06pm	4.11
Canada	1.4760-1.4860	1.4770-1.4810	0.49-0.37c pm	3.53	0.88-0.73pm	2.19
Nethlnd.	4.08½-4.11	4.09½-4.10½	2¾-2⅝c pm	7.88	6¾-6⅝pm	6.34
Belgium	72.55-73.05	72.55-72.65	28-22c pm	4.13	63-55pm	3.25
Denmark	12.88½-12.98¾	12.88½-12.89½	3⅞-2⅞ore pm	3.14	9¾-8pm	2.68
Ireland	1.1628-1.1669	1.1645-1.1655	0.06pm-0.13dis	−0.35	.04pm-.42dis	−0.65
W. Ger.	3.60½-3.63	3.61¾-3.62¾	2¾-2⅝pf pm	8.70	6⅞-6¾pm	7.45
Portugal	195½-199	196½-199	170-495c dis	−20.18	475-1330dis	−18.26
Spain	199½-200½	199¾-200	35-15c pm	1.50	65-35pm	1.00
Italy	2,244½-2,258¾	2,244½-2,245½	1lire pm-2dis	−0.27	4-9dis	−0.45
Norway	10.29½-10.37½	10.29½-10.30½	1½-1ore pm	1.53	3½-2½pm	1.26
France	11.01½-11.09¾	11.03¾-11.04¾	3¼-3⅛c pm	3.74	7¼-6¾pm	2.58
Sweden	10.19½-10.26	10.19½-10.20½	1½-½ore pm	1.10	1½-½pm	0.81
Japan	274½-277¼	274½-275½	1.95-1.86y pm	8.31	5.20-5.04pm	7.44
Austria	25.30-25.56	25.36-25.40	18¾-16⅞gro pm	8.41	47-43½pm	7.14
Switz.	3.08-3.09½	3.08¼-3.09¼	2½-2¼c pm	9.23	6½-6pm	7.94

Belgian rate is for convertible francs. Financial franc 72.85-72.95. Six-month forward dollar 1.55-1.50c pm. 12-month 1.70-1.55c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0535-1.0665	1.0550-1.0560	0.51-0.47c pm	5.57	1.11-1.06pm	4.11
Ireland†	0.9060-0.9125	0.9060-0.9075	0.50-0.40c pm	5.93	1.23-0.93pm	4.74
Canada	1.3935-1.4000	1.3950-1.3970	0.22-0.25c dis	−2.06	0.64-0.71dis	−1.93
Nethlnd.	3.8415-3.8880	3.8780-3.8790	0.66-0.62c pm	1.97	2.25-2.22pm	2.31
Belgium	68.44-69.00	68.90-69.00	9½-10½c dis	−1.75	25-27dis	−1.51
Denmark	12.12¾-12.27	12.21¼-12.21¾	2-2½ore dis	−2.20	2¾-3½dis	−0.98
W. Ger.	3.3835-3.4385	3.4330-3.4340	0.97-0.92pf pm	3.31	3.02-2.97pm	3.50
Portugal	185½-188	186-187½	250-550c dis	−25.67	650-1450dis	−22.73
Spain	188.10-189.20	188.50-188.65	58-65c dis	−3.91	140-155dis	−3.13
Italy	2,110½-2,132	2,130½-2,131½	10½-11lire dis	−6.06	28½-29dis	−5.38
Norway	9.68-9.78½	9.75¾-9.76¼	3-3½ore dis	−3.99	6¾-7¼dis	−2.86
France	10.40-10.47	10.46¼-10.46¾	1.55-1.65c dis	−1.84	4.00-4.30dis	−1.59
Sweden	9.56½-9.68¾	9.68¼-9.68¾	3¼-3¾ore dis	−4.34	9¼-9½dis	−3.93
Japan	260.30-261.15	260.95-261.05	0.65-0.61y pm	2.90	2.28-2.23pm	3.45
Austria	23.83¼-24.06	23.98-24.00	5-5½gro pm	2.87	18½-16½pm	2.91
Switz.	2.9010-2.9250	2.9235-2.9245	0.98-0.92c pm	3.92	2.86-2.80pm	3.89

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 69.00-69.10.

OTHER CURRENCIES

Mar. 5	£	$		£ Note Rates
Argentina Peso..	288.60-289.15	271.96-272.21	Austria	26.30-26.55
Australia Dollar.	1.5325-1.5365	1.4450-1.4460	Belgium	72.80-73.50
Brazil Cruzeiro...	4,172-4,197	3,931-3,951	Denmark	12.89-13.02
Finland Markka.	7.4835-7.5010	7.0630-7.0650	France	11.05-11.18
Greek Drachma.	149.00-152.01	140.78-143.62	Germany	3.61-3.65
HongKong Dollar	8.2770-8.2870	7.8010-7.8030	Italy	2235-2280
Iran Rial	103.0*	96.50*	Japan	277-280
KuwaitDinar(KD)	0.3265-0.3275	3.0745-3.0760	Netherlands	4.09-4.13
Luxembourg Fr	72.55-72.95	68.90-69.00	Norway	10.28-10.38
Malaysia Dollar..	2.7530-2.7600	2.5950-2.5980	Portugal	194-210
New Zealand Dlr.	2.3300-2.3460	2.1785-2.2170	Spain	195-200
Saudi Arab Riyal	3.8275-3.8325	3.6010-3.6020	Sweden	10.16-10.26
Singapore Dollar	2.4150-2.4210	2.2770-2.2790	Switzerland	3.08½-3.11½
Sth African Rand	2.1800-2.1950	2.0470-2.0550	United States	1.05-1.07
U.A.E. Dirham	3.9030-3.9080	3.6720-3.6750	Yugoslavia	280-290

* Selling rate.

CURRENCY MOVEMENTS

Mar. 5	Bank of England Index	Morgan Guaranty Change %
Sterling	155.8	−18.9
U.S. dollar	70.8	+40.2
Canadian dollar	88.5	−7.2
Austrian schilling	107.7	+3.1
Belgian franc	87.1	−11.1
Danish Kroner	74.5	−5.7
Deutsche mark	117.7	+5.2
Swiss franc	131.1	+4.9
Guilder	108.2	+2.2
French franc	62.4	−15.7
Lira	45.2	−15.3
Yen	156.3	+11.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.895244	0.613660
U.S. $	8	0.951184	0.649989
Canadian $	11.27	*	0.908350
Austria Sch	4½	22.8237	15.6322
Belgian Fr	11	65.4938	44.7452
Danish Kr	7	11.6282	7.95424
Dmark	4½	3.25020	2.22394
Guilder	5½	3.68441	2.51871
French Fr	9½	9.94701	6.79888
Lira	15½	2023.88	1384.15
Yen	5	247.783	169.547
Norway Kr	8	9.29782	6.35687
Span'h Pta	½	179.207	122.718
Swedish Kr	9	9.21222	6.28864
Swiss Fr	4	2.77175	1.89615
Greek Dr'ch	20½	135.344	92.7079
Irish Punt	12¾	1.04641	0.715059

* C$/SDR rate for March 4: 1.33124.

EXCHANGE CROSS RATES

Mar. 5	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Frank
Pound Sterling	1.	1.056	3.623	275.3	11.04	3.088	4.100	2245.	1.479	72.60
U.S. Dollar	0.947	1.	3.434	261.0	10.47	2.924	3.879	2131.	1.401	68.95
Deutschemark	0.276	0.291	1.	75.98	3.047	0.852	1.132	619.7	0.408	20.04
Japanese Yen 1,000	3.633	3.833	13.16	1000.	40.10	11.22	14.90	8156.	5.373	263.8
French Franc 10	0.906	0.956	3.282	249.4	10.	2.797	3.715	2034.	1.340	65.78
Swiss Franc	0.324	0.342	1.173	89.15	3.575	1.	1.328	727.1	0.479	23.51
Dutch Gilder	0.244	0.257	0.884	67.13	2.692	0.753	1.	547.6	0.361	17.71
Italian Lira 1000	0.445	0.470	1.614	122.6	4.916	1.375	1.826	1000.	0.659	32.34
Canadian Dollar	0.676	0.714	2.449	186.1	7.463	2.088	2.772	1518.	1.	49.09
Belgian Franc 100	1.377	1.454	4.990	379.1	15.20	4.253	5.647	3092.	2.037	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	14¼-14½	8 7/16-8 9/16	10⅝-11	7¼-7⅜	5⅛-5⅜	6-6¼	10 11/16-10 15/16	13-14	10¼-10½	10¼-10½	6 5/16-6⅜	11¼-11¾
7 day's notice	14¼-14½	8⅝-8¾	10¾-11⅛	7 7/16-7 9/16	3¼-3½	6 1/16-6 3/16	10 11/16-10 15/16	14¼-15¼	10⅜-10⅝	10⅜-10⅝	6⅜-6 7/16	11⅛-12⅛
Month	14¼-14⅜	9-9⅛	10 13/16-11	7 7/16-7 9/16	5 3/16-5 5/16	6 1/16-6 3/16	10¾-10⅞	14⅜-14⅞	10½-10¾	10⅝-10⅞	6½-6⅝	11¼-11¾
Three months	14-14⅛	9⅝-9¾	11⅝-11 13/16	7 9/16-7 11/16	5¾-5⅞	6¼-6⅜	11 5/16-11 7/16	14¾-15¼	10¾-11	10¾-11	6 7/16-6½	11¼-11¾
Six months	13⅜-13½	10¼-10⅜	11½-12	7 9/16-7 11/16	5 7/16-5 9/16	6 7/16-6 9/16	11⅞-12	15⅜-15¾	10⅞-11⅛	10⅞-11⅛	6 7/16-6 9/16	11⅛-11⅝
One year	12⅞-13	10 13/16-11 1/16	12⅝-12 13/16	7 9/16-7 11/16	5 7/16-5 9/16	6¾-6⅞	12⅛-12⅜	16-16⅜	11⅜-11⅝	11¼-11½	6 7/16-6 9/16	11¼-11¾

Asian $ (closing rates in Singapore): Short-term 8⅜-8½ per cent; seven days 8 11/16-8 13/16 per cent; one month 9 1/16-9 3/16 per cent; three months 9⅝-9¾ per cent; six months 10 3/16-10 5/16 per cent; one year 10 15/16-11 1/16 per cent. Long-term Eurodollars: two years 11⅞-12⅛ per cent; three years 12-12¼ per cent; four years 12¼-12½ per cent; five years 12⅜-12⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK rates little changed

Interest rates were a little firmer in London yesterday. Sterling had shown some resistance to the dollar's firmer trend but finished on a weaker note. Consequently three-month interbank was quoted at 14 1/16 per cent up from 13 15/16 per cent while three-month elegible bank bills were bid at 13 13/16 per cent against 13¾ per cent. Overnight interbank money opened at 14¼-14⅜ per cent and traded around 14¼ per cent for much of the day. It touched a high of 15½ per cent before finishing at 12-12½ per cent.

The Bank of England forecast a shortage of around £900m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £446m and the unwinding of previous sale and and repurchase agreements a further £159m. In addition Exchequer transactions accounted for £300m and banks brought forward balances £65m below target. These were partly offset by a fall in the note circulation of £75m.

To help alleviate the shortage the Bank offered an early round of assistance totalling £152m and comprising purchases of £32m of eligible bank bills in band 1 (up to 14 days) at 13⅞ per cent, £91m in band 2 (15-33 days) at 13¾ per cent, £15m in band 3 (34-63 days) at 13⅝ per cent, and £14m in band 4 (64-91 days) at 13½ per cent. Additional help was given in the morning of £383m. This comprised purchases of £95m of eligible bank bills in band 2 at 13¾ per cent, £21m in band 3 at 13⅝ per cent, and £22m in band 4 at 13½ per cent. It also arranged sale and repurchase agreements on £245m of bills at 13½ per cent for resale in similar amounts on March 25, 26 and 28.

In the afternoon the Bank gave help of £150m. This comprised purchases of £45m of eligible bank bilsl in band 1 at 13⅞ per cent, £33m in band 2 at 13¾ per cent and £5m in band 4 at 13½ per cent. It also arranged sale and repurchase agreements on £67m of bills at 13⅞ per cent, unwinding on March 13. Late assistance amounted to £95m, making a total of £780m.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

March 5	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10⅛	2⅝-2⅞	7¼-7⅜	6.53125	15⅝-16	11.75	14⅜-14⅞
One month	6.15-6.35	10⅝-10¾	5⅛-5⅜	7 7/16-7 9/16	6.53125	15¾-16⅛	10 11/16-10 13/16	14⅜-14⅞
Two months	6.20-6.40	10 11/16-10 13/16	—	—	—	—	—	14⅜-14⅞
Three months	6.30-6.50	10 11/16-10 13/16	5 13/16-5 15/16	7 9/16-7 11/16	6.34375	16-16⅛	10⅞-11	14½-14¾
Six months	6.6-6.8	10¾-10⅞	—	7⅜-7½	—	—	10⅞-11⅛	14⅝-14⅝
Lombard	6.0	—	—	—	—	—	—	—
Interverventon	—	10⅛	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Mar. 5 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12-15½	14¼-14⅜	14⅜-14⅝	14-14¼	—	—	—	—	—
2 days notice	—	—	14⅛-14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	14	—	—	—	—	—
7 days notice	—	14⅛-14⅜	14¼	14½	13⅞	—	—	—	—	—
One month	14¼-14⅛	14½-14 7/16	14¼	14⅜	13½	13¾	13⅛	13¾	13 13/16	14⅜
Two months	14 1/16-13 15/16	14 1/16-14¼	14	14⅜	13¼	13⅝	13⅝	13 13/16	13 13/16	14⅝
Three months	13 15/16-13 13/16	14-14⅛	14	14¼	—	13½	13¼	13 13/16	13 13/16	14⅝
Six months	13¼-13⅛	13 11/16-13 9/16	13⅛	—	—	—	—	12 11/16	12 11/16	13 7/16
Nine months	12⅞-12⅝	13-13 1/16	—	—	—	—	—	—	—	—
One year	12⅝-12⅜	12 13/16-13 1/16	12 13/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅞-14½	—	14 1/16	8.95-9.05	8 11/16-8 13/16	10-10⅛
Two months	14⅜-14	—	14⅛	9.25-9.35	8 15/16-9 1/16	10⅛-10 5/16
Three months	14⅜-14	—	14 1/16	9.5-9.6	9 3/16-9 5/16	10 3/16-10 5/16
Six months	14-13⅝	—	13⅞	10.05-10.15	9½-9¾	10¼-10 7/16
Nine months	13⅜-13	—	13 7/16	10.5-10.6	—	—
One year	13¼-12⅞	—	13	10.9-11.0	9⅞-10⅛	10¼-10 7/16
Two years	—	12 1/16	—	—	—	—
Three years	—	11 11/16	—	—	—	—
Four years	—	11½	—	—	—	—
Five years	—	11½	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period February 6 to March 5 1985 (inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from March 1, 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 13.4389 per cent. Certificate of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13¾ per cent; three-six months 13¼ per cent; six-nine months 13¼ per cent; nine-12 months 13 per cent. Under £100,000 12 per cent from March 5. Deposits held under Series 5 13 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. March 5)

Three months U.S. dollars

bid 9 3/4	offer 9 7/8

Six months U.S. dollars

bid 10 3/8	offer 10 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed funds	8 15/16
Fed funds at intervention	—

Treasury Bills

One month	7.80
Two month	8.45
Three month	8.69
Six month	8.92
One year	9.02

Treasury Bonds

Two year	98 15/32
Three year	98 11/32
Four year	97 21/32
Five year	99 5/16
Seven year	99 3/16
10 year	96 7/32

FINANCIAL FUTURES

Weaker trend

There was some degree of hesitancy in trading on the London International Financial Futures Exchange yesterday. On the one hand the market remained hynoticed by the dollar's continued upward surge while at the same time trying to keep one foot in the door in case central banks embarked on another concerted effort to push the dollar down.

Given the current strength of the dollar there appeared to be only a few sellers in the futures market while buyers were also conspicuous by their absence. There appeared to be a desire for some technical correction but the market lacked a catalyst. A surprise 0.9 per cent fall in U.S. factory orders failed to qualify even though the market had been expecting a rise of between 1½ per cent and 2 per cent.

Consequently movements tended to mirror the fortunes of sterling against the dollar. Gilt prices managed to show a firmer trend, after a weak start, on rumours of Bank of England support for sterling but the dollar's continued strength effectively nipped in the bud any chance of a sustained rally. As sterling finished on a weak note so did gilt and short sterling prices.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	90.23	90.28	90.15	90.29
June	89.26	89.29	89.16	89.35
Sept	88.76	88.77	88.65	88.82
Dec	88.37	88.39	88.25	88.41
March	88.08	—	—	88.09

Est. volume 7,020 (5,350)
Previous day's open int. 15,745 (15,404)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
March	86.09	86.12	86.00	86.24
June	87.50	87.60	87.45	87.71
Sept	88.49	88.52	88.40	88.60
Dec	88.36	88.36	88.27	88.47
March	88.30	88.35	88.30	88.50

Est. volume 1,563 (1,027)
Previous day's open int. 6,863 (6,840)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	103-22	104-03	103-22	104-05
June	104-13	104-28	104-12	104-29
Sept	108-00	—	—	108-16
Dec	107-07	—	—	107-23
March	106-28	—	—	107-12

Est. volume 1,383 (878)
Previous day's open int. 4,649 (4,854)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) −8 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.0580	1.0595	1.0586	1.0695
June	1.0490	1.0530	1.0465	1.0595
Sept	1.0450	1.0450	1.0433	1.0580

Est. volume 934 (108)
Previous day's open int. 3,096 (3,105)

DEUTSCHE MARKS DM 125,000
$ per DM

	Close	High	Low	Prev
March	0.2924	0.2930	0.2923	0.2967
June	0.2950	0.2960	0.2946	0.2990

Est. volume 45 (24)
Previous day's open int. 292 (288)

SWISS FRANCS SwFr 125,000
$ per SwFr

	Close	High	Low	Prev
March	0.3427	—	—	0.3463
June	0.3463	0.3469	0.3463	0.3406

Est. volume 1 (nil)
Previous day's open int. 138 (138)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.3835	—	—	0.3850
June	0.3870	0.3870	0.3869	0.3883

Est. volume 4 (17)
Previous day's open int. 212 (213)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
March	126.90	127.45	125.25	125.95
June	127.50	127.70	127.05	126.55
Sept	127.80	—	—	126.85

Est. volume 302 (275)
Previous day's open int. 1,719 (1,730)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-02	69-05	68-20	69-10
June	68-02	68-07	67-21	68-10

Est. volume 1,689 (1,857)
Previous day's open int. 1,919 (1,877)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-04	69-09	69-00	68-28
June	68-05	68-09	68-00	67-28
Sept	67-12	67-14	67-07	67-02
Dec	66-24	66-26	66-19	66-13
March	66-07	66-08	66-03	65-28
June	65-26	65-26	65-20	65-10
Sept	—	—	—	64-30
Dec	—	—	—	64-20
March	—	—	—	64-11
June	—	—	—	64-03

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	91.34	91.35	91.32	91.30
June	90.70	90.72	90.65	90.65
Sept	90.27	90.28	90.25	90.22
Dec	89.95	89.96	89.92	89.89
March	89.66	89.66	89.62	89.64
June	89.45	89.48	89.45	89.46
Sept	89.28	89.28	89.28	89.28
Dec	89.12	89.12	89.12	89.11

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	90.64	90.65	90.59	90.54
June	89.68	89.69	89.63	89.58
Sept	89.15	89.16	89.12	89.06
Dec	88.76	88.76	—	88.66

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	90.22	90.25	90.15	90.14
June	89.25	89.28	89.20	89.13
Sept	88.74	88.75	88.67	88.63
Dec	88.36	88.38	88.30	88.24
March	88.07	88.07	88.04	87.94
June	87.84	87.86	87.80	87.70
Sept	87.63	87.66	87.54	87.48

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.0600	1.0615	1.0585	1.0710
June	1.0510	1.0520	1.0470	1.0625
Sept	1.0470	1.0470	1.0440	1.0580
Dec	1.0475	1.0480	1.0455	1.0565

GNMA (CBT) 8%
32nds of 100%

	Latest	High	Low	Prev
March	69-06	69-07	69-04	68-31
June	68-11	68-15	68-11	68-07
Sept	67-22	67-22	67-22	67-17
Dec	67-02	67-02	67-02	67-30
March	—	—	—	—
June	—	—	—	65-27
Sept	—	—	—	65-12

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 5.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	100¾	101¼	−0⅜	−0¾	12.28
Austria Rep 13⅝ 92	100	106⅜	106⅞	−0½	−1⅝	12.17
Bank Of Tokyo 12⅝ 92	100	99⅜	99⅞	0	−0⅜	12.79
Bank of Tokyo 13⅝ 91	100	104⅛	104⅝	−0½	−1¼	12.54
BP Capital 11⅛ 92	150	95⅜	95⅞	0	−1⅛	12.08
Caisse Nat Tele 13¾ 91	100	104¾	105¼	0	−1½	12.51
Canadian Pac 12½ 99	75	100⅛	100⅝	−0¼	−1⅛	12.42
CBS Inc 11⅜ 92	100	95½	96	−0⅛	−1⅜	12.28
Chevron U.S.A. 12¼ 89	500	99⅜	99⅞	+0⅛	−0⅝	12.31
Citicorp 11¾ 97	200	94½	95	−0⅜	−0⅜	12.62
Creditanstalt 13⅛ 91	100	101⅝	102⅛	+0⅛	−1⅜	12.64
Denmark Kingdom 13 91	100	100⅜	100⅞	−0⅛	−1⅛	12.82

U.S. DOLLAR STRAIGHTS (continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
Weyerhaeuser 12¼ 87	150	100½	101	−0¼	−0¾	11.82
World Bank 12¼ 94	150	98½	99	−0⅝	−1⅞	12.45
World Bank 12⅞ 94	200	101½	102	−0¼	−1¾	12.51

Average price change On day −0⅛ on week −0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	99⅝	100⅛	−0¼	−0¼	8.03
Austria Republic 7⅝ 94	200	98⅛	98⅞	0	+0¾	7.86
Baxter Travenol 7¼ 94	200	99	99¾	−0⅝	+2	7.35
Credit National 8⅛ 94	200	100⅛	100⅞	−0¼	+0¼	8.04
Degussa Int Fin 7½ 94	100	98⅝	99⅛	−0¼	+0⅛	7.70
E.E.C. 8 92	200	100⅝	101⅜	−0¼	+0¼	7.88
Escom 8 92	150	98½	99¼	−0⅝	−0⅝	8.21

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

OVER-THE-COUNTER

Continued from Page 30

Stock	Sales (Hnds)	High	Low	Last	Chng
LaZ By 1.20	29	41¾	41½	41⅝	+⅛
LacldSl	4	18¾	18¾	18¾	−¼
LadFrn .12a	50	17⅝	17⅜	17½	+⅛
Laidlw .16	103	15½	15¼	15¼	
LamRs	1632	12	11⅜	11⅞	+½
LamaT .80	9	14¼	14¼	14¼	−⅛
Lancast .68	x11	15	15	15	
LndBF .60	2672	16⅞	16½	16⅞	+⅜
LdmkS	5	7	7	7	
LaneCo .80a	9	51½	51	51	−½
Langly .25e	62	7½	7¼	7⅜	
Larsen 56	3	29¾	29¾	29¾	−1
Lawsn s .28	140	32	30	31¾	+1¾
MeryLd t	20	11¼	11¼	11¼	+¼
MesbAv	33	3	3	3	
Metrbn	25	10⅞	10⅞	10⅞	−⅛
MetrAir	178	19⅞	19	19½	+½
MetrFn .60	42	12⅝	12⅜	12⅝	+¼
Metrml	252	23¼	23⅛	23¼	+⅛
Micom	658	33¾	33	33½	−¾
MicrD	33	5¼	5⅛	5⅛	
MicrMk	39	9¼	9⅛	9⅛	
Micrdy 06	27	5¾	5⅝	5¾	+⅛
MicrTc	1020	13	12⅝	12¾	+⅜
Microp	596	7⅞	7⅜	7¾	+½
Micrpro	62	2⅞	2⅝	2⅝	−⅛
NAtlIn s	24	8⅛	7¾	7⅞	
NCarGs 1 84	2	23½	23½	23½	+¼
NoFrkB 1e	8	32½	32½	32½	+¼
NwNG 1.44	174	17¾	17⅝	17⅝	−⅛
NwtFn 1.36	x1636	55½	52	52	−3

Indices

NEW YORK-DOW JONES

	March 5	March 4	March 1	Feb 28	Feb 27	Feb 26	1984–85 High	1984–85 Low	Since Compilation High	Since Compilation Low
Industrials	1,286.77*	1,289.53	1,299.36	1,284.01	1,281.03	1,286.11	1299.36 (1/3/85)	1088.57 (24/7)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	627.44*	630.20	635.39	630.98	631.64	631.20	636.30 (1/3/85)	444.03 (25/7)	635.30 (1/3/85)	12.32 (8/7/32)
Utilities	147.67*	148.03	148.80	148.75	148.08	148.44	161.16 (13/2/85)	122.25 (15/6)	163.72 (28/4/69)	10.5 (28/4/42)
Trading vol		140m	140m	100m	107m	114m	—	—	—	—

	Feb 22	Feb 15	Feb 8	Year Ago (Approx)
Ind Div Yield %	4.77	4.73	4.68	4.73

STANDARD AND POORS

	March 5	March 4	March 1	Feb 28	Feb 27	Feb 26	1984–85 High	1984–85 Low	Since Compilation High	Since Compilation Low
Industrials	203.48*	203.80	205.15	202.68	201.98	202.52	205.15 (1/3/85)	167.74 (24/7)	205.15 (1/3/85)	3.62 (30/6/32)
Composite	181.71*	182.06	183.23	181.18	180.71	181.17	183.35 (13/2/85)	147.82 (24/7)	183.35 (13/2/85)	4.40 (1/6/32)

	Feb 28	Feb 20	Feb 13	Year Ago (Approx)
Ind div yield %	3.82	3.81	3.76	4.01
Ind. P/E Ratio	11.33	11.34	11.48	12.82
Long Gov Bond Yield	11.83	11.45	11.28	11.98

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Phillips Petrlm.	8,775,300	50	−⅝
Am Nat. Res	3,564,100	60	−6¾
Texaco	3,107,900	35⅝	−⅛
A T & T	1,911,200	21½	−⅛
ITT	1,381,900	32⅛	+2
Sperry	1,188,000	51½	−1⅞
Kansas Gas El.	1,155,900	17⅝xd	−⅜
Mobil	1,046,100	29¾	−⅛
PSEG	1,011,000	25⅝	−⅛
Data General	892,500	54⅝	+1⅝

TORONTO	March 5	March 4	March 1	Feb 28	1984–85 High	1984–85 Low
Metals & Minls	2,096.1*	2,104.9	2,108.7	2,075.2	2524.4 (12/1/84)	1641.2 (25/7)
Composite	2,641.2*	2,628.5	2,625.2	2,594.8	2628.5 (4/3/85)	2078.7 (24/7)
MONTREAL Portfolio	132.33*	131.71	131.50	130.27	132.67 (13/2/85)	100.36 (24/7)

* Indicates pre-close figure

	Mar. 5	Mar. 4	Mar. 1	Feb. 28	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1/1/80)	798.0	796.1	798.3	792.8	798.9 (20/2/85)	546.5 (18/6)
Metals & Minls. (1/1/80)	480.2	488.9	475.0	480.3	567.4 (3/1/84)	395.6 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	71.78	75.65	74.59	74.66	74.86 (28/2/85)	53.20 (15/6)
BELGIUM						
Brussels SE (1/1/80)	2288.86	2270.12	2252.78	2242.60	—	—
DENMARK						
Copenhagen SE (5/1/83)	(u)	177.38	176.97	175.46	225.2 (20/1/84)	158.44 (8/1/85)
FRANCE						
CAC General (31/12/82)	204.6	204.6	205.0	201.5	205.9 (21/2/85)	155.6 (3/1/84)
Ind Tendance (28/12/84)	110.5	110.5	109.6	108.9	111.2 (21/2/85)	100.0 (28/12/84)
GERMANY						
FAZ Aktien (31/12/58)	415.3	416.40	411.42	408.84	416.40 (4/3/85)	317.17 (25/7)
Commerzbank (1/12/53)	1195.1	1207.5	1186.4	1175.8	1207.5 (4/3/85)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1367.94	1389.45	1401.15	1375.25	1485.17 (19/2/85)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	289.51	279.72	278.85	277.10	288.71 (20/2/85)	192.08 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	12476.4	12509.0	12412.14	12521.9	12509.0 (4/3/85)	9703.35 (28/7)
Tokyo SE New (4/1/68)	986.55	990.39	981.91	977.50	990.39 (4/3/85)	750.46 (4/1/84)
NETHERLANDS						
ANP-CBS General (1970)	204.6	204.2	200.6	198.8	205.5 (21/2/85)	146.8 (25/7)
ANP CBS Indust (1970)	161.8	161.4	158.2	157.4	165.7 (21/2/85)	118.7 (18/6)
NORWAY						
Oslo SE (4/1/83)	317.84	321.66	319.18	323.24	345.6 (8/2/85)	221.67 (4/1/84)
SINGAPORE						
Straits Times (1966)	847.58	850.35	841.20	833.04	1071.9 (8/2/84)	784.4 (16/1/85)
SOUTH AFRICA						
Gold (1958)	905.0	(u)		898.8	1099.8 (19/11)	738.1 (24/1/84)
Industrial (1958)	946.8	(u)		855.7	1105.3 (26/5/84)	846.6 (5/3/85)
SPAIN						
Madrid SE (28/12/84)	112.73	115.60	112.70	112.50	117.41 (4/2/85)	100.00 (28/12/84)
SWEDEN						
Jacobson & P (1/1/58)	1444.84	1445.38	1434.14	1427.75	1594.5 (3/2/84)	1302.99 (22/11)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	424.5	428.1	417.7	416.7	424.5 (5/3/85)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)		198.1	187.8	187.0	198.1 (4/3/85)	163.2 (14/12)

** Saturday March 2: Japan Nikkei-Dow 12,439.7. TSE 966.03

Base value of all indices are 100 except Australian All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c-Closed. u Unavailable.

CAPITAL MARKETS

World Bank plans short-term sterling borrowing scheme

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE WORLD Bank is considering the launch of a short-term borrowing programme in sterling, breaking away from its normal pattern of raising short-term funds only in dollars, Mr Eugene Rotberg, its Treasurer, said in London yesterday.

Likely increases in the World Bank's borrowing needs over the next few years mean that it will have to focus more on short-term and variable rate borrowing. The capacity of world bond markets to absorb fixed-rate debt was finite, he told a meeting of bankers and investors.

But Mr Rotberg made it clear that the launch of a sterling programme was not an immediate prospect. It was not yet decided exactly how it would be structured partly because of its tax implications in the UK, he said.

Also, he said he was reluctant to launch a new short-term borrowing programme in sterling when British base rates were as high as 14 per cent. The bank already has sterling borrowings worth £867m.

Mr Rotberg painted a glowing picture of the financial position of the World Bank, the largest single borrower in international bond markets. Seven months into the current fiscal year unaudited net earnings had already reached $693m compared with $600m in the full year to June 30 1984, which was itself a record.

At last December 31 the bank's liquidity totalled $15.2bn. Aggressive trading of this liquidity had produced an annualised return of 13.55 per cent during the first half of the current fiscal year, which was well above borrowing costs and had helped boost the bank's net income.

Mr Rotberg said the World Bank had a policy of actively managing its liquid resources and its trading operation had turned over no less than $3,000bn last year.

During the first six months of the current financial year the bank borrowed $5.94bn (excluding an additional short-term borrowing facility of $300m from central banks) at an average cost of 8.63 per cent. The effective cost was, however, reduced to 7.61 per cent through the swap market.

Total borrowing in fiscal 1984-85 is expected to reach some $12bn.

Interest rate worries dull Eurodollar sector

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

EURODOLLAR bonds were again weak yesterday as investors, worried about the trend of interest rates and the strength of the dollar in exchange markets, remained on the sidelines.

The market faces a large overhang of unsold paper, and professionals marked some new issues down by up to ¾ point, although a slightly firmer trend in Wall Street encouraged a modest recovery in the afternoon.

New issue volume has slowed to a trickle, but yesterday saw a $100m, seven-year 10⅞ per cent issue for Sumitomo Metal which is guaranteed by Nippon Credit Bank. Daiwa Europe, which is leading the bond, priced it at 101.

Elsewhere, Credit Suisse First Boston has finalised terms for the $60m, 25-year issue for Newmont Mining, which is convertible into shares of Du Pont, the U.S. chemical concern. The coupon has been set at 8½ per cent, issue price is par and the conversion price is $62⅛, which represents a premium of 17.22 per cent over Monday's closing share price.

Terms include a provision for the issuer to redeem the bonds at 106 per cent in the first year, decreasing in stages of one point thereafter to par in the seventh year, if the price of Du Pont shares rises above 130 per cent of the conversion price.

BHF Bank bond average		
March 5 100.329		Previous 100.552
High 103.042	1985	Low 98.056

The issue, which has attracted 24 co-managers including Morgan Grenfell as co-lead, met with an unenthusiastic response from the market and was supported by CSFB at a price of 97, a discount well outside fees to managers of 2¼ per cent.

In Switzerland, Chrysler Financial has followed up its recent successful public issue with a SwFr 50m, eight-year 6⅝ per cent private placement led by Swiss Bank Corporation. Union Bank of Switzerland has awarded a 6 per cent coupon and par issue price to the latest SwFr 200m, 10-year bond for the World Bank.

West German banks meet today to set a new calendar of foreign issues amid worries about the market's ability to absorb new paper. The DM 60m, five-year convertible issue for Tsubakimoto Precision Products is to have a 3¼ per cent coupon and a conversion premium of 5.015 per cent. Commerzbank as lead manager set the issue price at par.

Libra Bank boosts earnings by 37%

BY OUR EUROMARKETS CORRESPONDENT

LIBRA BANK, the London-based consortium, lifted pre-tax earnings by 37 per cent to £42.6m ($44.7m) last year, Mr Thomas Gaffney, managing director, announced yesterday.

The increase reflects a sharp increase in profitability as total assets grew more slowly, rising by £550m to £2.32bn, with the expansion largely the result of the dollar's higher value.

Libra also announced that Mr Gaffney was to return to Chase Manhattan after 13 years on secondment to Libra Bank. He is to fill the newly created post of president of Chase Manhattan Ltd, Chase's London Euro-banking unit.

His successor at Libra will be Mr Peter Belmont, currently general manager.

Libra, which has ranked as one of the Euromarket's most successful consortium banks, saw its loan portfolio grow by 5 per cent last year.

Despite its specialisation in Latin American lending, total exposure to Latin America has risen by only $150m over the past three years "by virtue of the considerable level of repayments which the bank has received on unrescheduled loans."

Mr Gaffney said that Libra had concentrated last year on upgrading the quality of its loan portfolio by switching lending into government and financial institution risks which now accounted for 96 per cent of the total.

Libra is also seeking credit ratings in the U.S. with a view to tapping the markets for short, medium and long-term funds in 1985. The bank, however, gave no details.

SECTION IV

FINANCIAL TIMES SURVEY

Austria

Music and easy charm are bywords for Austrian life. Since the war the country has added to that an enviable economic record. But now the system is finding it awkward to cope with the problems of the 1980s

Terry Kirk

The Prince Bishop's gardens and fortress at Salzburg

Country in mid-life crisis

By W. L. LUETKENS

THE REPUBLIC of Austria will this year celebrate the 40th anniversary of its re-foundation after the war and the end of Nazi annexation. As a clever Viennese journalist has pointed out, the occasion coincides neatly with what can be best described as a mid-life crisis consisting of largely home-made problems.

Mid-life crises have a way of being tiresome. They signal a need for adjustments to be made, maybe even for expectations to be lowered, but they are not generally fatal. Once the adjustments are made, it is possible to go on living happily for almost ever after.

Such really is Austria's case. The political problems that have made headlines are largely parochial. The need for a rejuvenation of industry is not specifically Austrian. Austria has certain assets that could help to smooth the transition from outmoded to more up-to-date industrial structures. What has yet to be demonstrated is a willingness to employ those assets, which rest largely upon the established consensual system of industrial relations.

Even the suspicion that Nazi modes of thought still survive — a suspicion that was nourished when an ill-advised and luckless Minister of Defence, Dr Friedhelm Frischenschlager, welcomed home a war criminal newly released from Italy — ought not to be taken to heart excessively. He acknowledged having made a mistake but some nationalist elements were delighted by what he had done. There is no more reason to believe that nationalist fringe are about to seize power in Austria than in, say, France or West Germany.

Dr Fred Sinowatz, the Socialist Chancellor, points to the prosperity and social consensus that have been created in Austria since the war and contrasts them with the poverty and conflict of the post-World War One Republic, when native and German-style fascism were indeed strong. "We have mastered the problems of our country producing almost unparalleled social peace, almost unparalleled stability," Dr Sinowatz says. "These are conditions under which fascism cannot take root in Austria."

His difficulty is that he needs the support of the small Freedom Party with support from 5 per cent or less of the electorate in order to marshal a parliamentary majority. The party consists of a liberal group which is represented in the cabinet, and a rather vocal section of somewhat ill defined "nationalists." This group stresses its German-ness, without necessarily wishing to join Austria to Germany, an idea entirely chimerical in today's Europe.

Wild men

The nationalists are xenophobic, at times anti-semitic. They are longer on rhetoric than on political thought. Occasionally they do more than talk. Signposts in the language of the Slovene minority have at times been defaced. In the past bombs occasionally went off, fairly harmlessly, in Italy to remind the world that until 1918 southern Tirol belonged to Austria.

In the aftermath of the Frischenschlager affair it was conclusively demonstrated that these wild men and their prime representative, Herr Joerg Haider, a 35-year-old rabble rouser, had no support at the top of the party. But there is no guarantee that they will not at some time displace the liberals such as Dr Norbert Steger, the Vice-Chancellor.

The coalition Government, therefore, is not necessarily the most efficient of political instruments, all the more so because Dr Steger and Dr Sinowatz do not see eye to eye on some key issues. The Chancellor would like to open up the Zwentndorf nuclear plant in order to reduce Austrian dependence upon imported energy, Dr Steger does not agree.

Zwentendorf was completed in 1978 but never commissioned because a referendum enforced by "green" environmentalists went against nuclear energy. Public opinion has almost certainly changed and, across all the parties, there is a parliamentary majority for commissioning Zwentendorf.

But the Freedom Party is against, so a policy change would require an alliance between the pro-nuclear members of the Socialist Party and of the opposition, the People's Party. The opposition is unwilling to save the Chancellor's bacon, however, partly because it is divided on a nuclear issue, partly because it hopes eventually to prise apart Dr Sinowatz's coalition. Then the only alternative would be a coalition of People's Party and Socialists, such as ruled postwar Austria until 1966.

Behind this Alice-in-Wonderland situation there lies the fact that the Freedom Party cannot be fitted easily into the type of consensual system that has ruled in Austria since 1945, regardless of whether Socialists, People's Party, or a coalition of both were in power. In parallel with the dialogue between these two parties there has throughout the period been a dialogue between their power bases, the trade union federation and the chamber of commerce organisation, to which all enterprises must belong.

Key decisions have again and again been made in the formal and informal organs of social partnership which link the federation and the chambers. The Freedom Party, with its base among professional people and protest voters, does not fit into this framework. The environmentalist Greens are even more of a foreign body in the established system. They are not represented in the parliament, though if an election were to be held now they would probably get in and overtake the Freedom Party.

Cynical

The increasing power of the Greens, and of "green" sentiment in the two major parties, has added to the feeling that government is blocked on some key issues. Whereas the coalition has tackled, and in some cases settled important questions, it has looked helpless where energy policy is concerned. Not only Zwentendorf is in limbo: so is a hydro-electric plant planned at Hainburg on the Danube. Dr Sinowatz called for a pause for reflection when environmentalists and police clashed at Hainburg. It is likely to be prolonged.

On a long-term view the arrival of the Greens and the Freedom Party as political forces of consequence means that the elite which has governed Austria since the war, and governed it well, may be losing its contact with the grass roots. The public at large often has been cynical about its leaders but while prosperity continued to grow their leadership was not seriously questioned. Now that affluence has been achieved, grumbles can turn into political rumbles.

Yet it would be wrong to declare social partnership to be dead or dying. In its very own field, that of industrial relations, it is very much alive. The Germans suffered a long strike when their metalworkers demanded a 35-hour week. In Austria the issue was settled diplomatically. Unions and employers agreed that shorter working hours might be helpful under certain circumstances but

CONTINUED ON NEXT PAGE

CONTENTS

Coalition's credibility eroded by rows

Politics

PATRICK BLUM

IN LITTLE more than two months the coalition Government of Socialists and the small Freedom Party has managed to embroil itself in four major rows. Each seriously damaged the government's credibility and eroded support.

First was a parochial row about whether shops should be open on December 8, as is usual on Saturdays preceding Christmas. This year it happened to coincide with a religious holiday when shops are usually closed.

The Government, trade unions and church thought that shops should remain closed but the provincial governor of Salzburg defied the ban, arguing that shops could stay open. The Government threatened the governor with dismissal—a questionable constitutional move—and embarked on a court case against him. It presented its case so ineptly that the court could not make a ruling.

Clashes

Just before Christmas the Government was shaken by protests against its attempts to begin construction of a hydro-electric plant and dam in Hainburg, which conservationists argue would destroy the Auwald, one of Europe's last primeval forests.

Clashes between police and protesters and a big demonstration in Vienna forced an embarrassing retreat by the Government. It postponed indefinitely the project, which it had earlier argued was essential for Austria's energy needs.

That row had barely died before a more serious one erupted over the actions of Dr Friedhelm Frischenschlager, the Defence Minister, in greeting a war criminal and former Waffen SS officer on his return to Austria after release from an Italian jail. This was especially embarrassing for the Government, since it coincided with the meeting for the first time in Vienna of the World Jewish Congress and with ceremonies marking the liberation 40 years ago of the Auschwitz concentration camp and the Nazi defeat.

The coalition looked close to breaking up as Dr Norbert Steger, leader of the Freedom Party and vice-chancellor, threatened to resign if the Defence Minister — a fellow Freedom Party member — was sacked. In the event, Dr Frischenschlager apologised, Chancellor Fred Sinowatz accepted and party discipline ensured government victory in a no-confidence vote tabled by the opposition People's Party. A question mark continues to hang over Dr Frischenschlager's future, however.

Within weeks the Government was again in trouble with the sudden resignation of the Socialist Minister for Construction following allegations in the Press that he was guilty of financial misconduct. The whiff of scandal adds another worry for Dr Sinowatz, whose own sincerity and integrity is generally recognised.

The Government has been thrown on the defensive, the coalition parties bicker among themselves and their supporters are disorientated. The coalition with the Freedom Party is seen by an increasing number of Socialists as a liability, while the Government's indecision on key issues such as what to do with the mothballed nuclear power plant at Zwentendorf or about Hainburg is perceived as a sign of weakness in the country at large.

The Freedom Party itself is deeply divided. Dr Steger is desperately trying to steer the party in a liberal direction but a sizable membership, possibly the majority, appears to prefer the more right wing and nationalist approach of Herr Joerg Haider, the youthful and charismatic leader of the Carinthia Party organisation.

Herr Haider has campaigned openly—and successfully in Carinthia at least—against his party chief and against the coalition with the Socialists. In the row over Dr Frischenschlager he defended the minister's action, arguing that there was nothing to apologise about. He was severely reprimanded by a special meeting of the party executive but this does not appear to have seriously affected him.

The conflict between Herr Haider and Dr Steger is by no means over. At stake is not only Dr Steger's leadership but also the future of the coalition Government, not to say whether the nationalist right wing could capture control of the party.

The coalition, which was put together by former Chancellor Dr Bruno Kreisky, has never found wholehearted support within the Socialist Party. The rows have strengthened the case of those, especially on the left, who would have preferred to go it alone in a minority government or move to opposition. That view is dismissed as unrealistic by Dr Sinowatz. He also argues that the coalition has worked well and that Dr Steger has always delivered his party's votes whenever the Government has run into trouble.

Others favour a grand coalition of Socialists with the People's Party of the type that ruled Austria from the end of the war until 1966. But even this option is seen as less attractive by many supporters in the Socialist Party on the grounds that such a coalition would probably prove little better than the current one.

Placate

The People's Party, itself split into contending agricultural, industrial and white collar sections, has appeared at times as indecisive on key issues as the Government. Dr Alois Mock, its leader, has found it difficult to present a distinct and clear alternative.

On Hainburg and Zwentendorf, for example, the party has looked both ways trying to placate its farming and environmentalist lobby while seeking to reassure its industrialists who are pressing for building more plants to provide jobs. Such ambiguity is damaging to the People's Party which cannot hope to win an absolute majority in an election in the foreseeable future.

Dr Mock acknowledges this dilemma. He is playing a wait-and-see game, hoping that the Government will further discredit itself and that this will open the way for a grand coalition.

After the Government reshuffle in September, the Socialists had recovered some of the support lost in the previous year and they retain their lead in the opinion polls—but only just. It is not clear how the row over Dr Frischenschlager and the Construction Minister's resignation will be reflected in the polls.

Paradoxically, the Freedom Party may temporarily benefit from sympathy for Dr Frischenschlager, but this is unlikely to lead to a resurgence of the party, whose support had fallen to about 3 per cent in January.

None of the main parties are doing well in the polls and all are losing support to the "Greens," which explains why none is eager for elections.

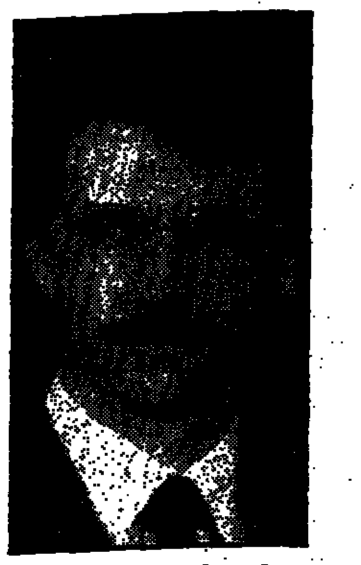
The emergence of the "Greens" as a force in Austrian politics is the one factor that could upset all political calculations. A recent survey suggests that for every 10 Green votes, three come from the Socialists, two from the People's Party and one from the Freedom Party.

Their impact can be gauged by the surprising success of a combined list of conservative and left-wing Greens in provincial elections in Voralberg last October. They won 13 per cent of the vote and eclipsed the Freedom Party.

They have gained considerable public sympathy and public enthusiasm for Green issues has surged. They tend to benefit from a widespread disillusionment with the traditional parties, especially among the young.

Since neither of the main parties can hope to win an outright majority, the Greens may find themselves in the role of power brokers when another government is formed. The prospect is not relished by any of the other parties, least of all by the Freedom Party which stands to lose most and find itself out of government for a considerable time.

In the meantime, Dr Sinowatz will seek to keep his coalition going as long as possible, although the Government's problems may force him to hold early elections rather than wait until 1987.



Chancellor Fred Sinowatz (left) accepted an apology from Defence Minister Friedhelm Frischenschlager, who created problems by meeting a war criminal.

Mid-life crisis

CONTINUED FROM PAGE 1

told the government to shelve ideas to bring in a 35-hour week by law. Hours, it was agreed, were a matter to be settled between labour and management—and there the matter rests.

This attitude of mutual consideration and respect has kept Austria almost free of strikes. It has kept wage claims reasonable, making a key contribution towards containing inflation. An inflation rate that has always been well below OECD averages and an unemployment rate that has kept well below 5 per cent are remarkable phenomena in present-day Europe and could not have been achieved without the unions' self-imposed moderation.

This reasonableness could help to create a good climate for industrial restructuring, always provided the sacrifices demanded of the unions are not too great. The unions have repeatedly obstructed, but never quite blocked, adjustments required in Austria's biggest industrial empire, the state-owned Oelag holding company, the biggest holding of which is the Voest-Alpine steel concern. They have insisted upon employment being preserved as far as possible, but not upon any particular job being preserved.

Oelag has been given state help of Sch 16.6bn for a three-year period ending in nine months. Two-thirds of the money has been spent, mainly to cover losses. With the improved cyclical economic prospects, the balance, and the additional sums that will have to be voted for the period beginning in 1986, may flow into a necessary transition to higher value products. The operative word there is "may."

A similar position exists in the industrial concern owned by Creditanstalt-Bankverein (a bank in turn owned as to 60 per cent by the Government). The concern has so far been kept afloat at considerable cost by the bank, with only limited government assistance. This year it is probable that the Government will provide several billion Schillings, even though the chairman of the bank, Dr Hannes Androsch, hopes that the industrial holdings will break even, taken overall, for the first time in years.

Energy

Though much of privately owned Austrian industry, and especially the small and medium sized entrepreneurs are in general much better off, the nursing back to health of Oelag and of the CA bank holdings will require a great deal of energy. Good management of the economy would help: if the present upswing were to collapse, the Minister of Finance, Dr Franz Vranitzky, would find it hard to produce the sums required without an explosion of the budget deficit.

The Socialist-Freedom Party coalition in its present state of health will have to summon all its energies to cope with this and the other challenges confronting it. Dr Sinowitz intends to keep the coalition going if at all possible until the life of the present parliament expires in 1987. Though some of his own followers are becoming restive, supporters of his course argue that a coalition with the People's Party would prove no more effectual. Once the next election is out of the way things may look different.

PROFILE: FRANZ VRANITZKY, *MINISTER OF FINANCE*

Enjoying a fiery challenge

DR FRANZ VRANITZKY is a man who jumped from the frying pan into the fire and says he liked it.

In 1981 he was called in a hurry to salvage Oesterreichische Laenderbank when it ran into grave troubles because of non-performing loans. Three years later he was plucked from the bank to sort out the deficits plaguing the federal Austrian Budget.

Which challenge did he enjoy more: bank chairman or Minister of Finance?

The minister, boyish-looking in spite of his 46 years, looks down for a moment. His present job, he says. It also seems to need hard work—or at least longer hours; his working day at the baroque palace in Vienna housing the ministry can run as long as 13-14 hours.

The minister's section of the building once was the town house of Prince Eugene, commander of the Imperial armies in the late 17th and 18th centuries, and a comrade-in-arms of the Duke of Marl-Marlborough. Visitors are received in a huge salon with gilded furniture and scarlet curtains rising towards a high ceiling. The minister's telephone with its battery of buttons seems out of place amid the pomp; but that does not quell its businesslike buzz.

Dr Vranitsky was born in 1937, so he was a boy when World War Two ended. He took a diploma in business management at the Vienna School of Economics and Business before doing a brief turn in the accounting department of an electrical concern in Vienna. From 1961 to 1970 he worked in the Austrian central bank.

After a few months in the finance ministry he joined the board of Creditanstalt-Bankverein, Austria's largest joint stock bank which, like Laenderbank, is 60 per cent government-owned.

Franz Vranitzky: will have to show his mettle in 1986 Budget.

His leap into international prominence occurred in 1981 when the Socialist government of the day put him in charge of Laenderbank and its reorganisation.

The bank was saved because the Government bailed it out in the interests of the domestic and international creditworthiness of Austria and its financial institutions. Though it will take many years before the situation is entirely restored, Laenderbank was back on an even keel by 1984.

That is when the call came to take over the finance ministry. Dr Vranitsky's predecessor, Dr Herbert Salcher, had raised some taxes to stop the Budget deficit growing as a share of gross domestic product, but growing debt service and the burden of pensions for an ageing population threaten a further explosion next year and in 1987.

The current year's Budget is still largely Dr Salcher's work. Dr Vranitsky will have to show his mettle in the Budget for 1986.

One of his most urgent tasks ought to be to encourage an improvement of the capital base of Austrian business. It will not be easy to find viable ways in a situation of fiscal stringency.

Tax increases are ruled out not only for political reasons but also because the Austrian tax quota is already rather high, so it will be hard work finding areas where expenditure can be cut. The task will be complicated by the financial needs of a deficit-ridden state-owned industrial empire.

Though a socialist, Dr Vranitzky takes a pragmatic view of the virtues or otherwise of governments owning industrial companies. But neither does he see any special virtues in private ownership in itself: he thinks the real criteria are efficiency and viability.

In any case, he is quick to point out that nationalisation occurred in Austria not for ideological reasons but to forestal seizure by Russian occupiers after the war.

The minister came to socialism through his family. Dr Vranitzky's father was a militant socialist who stuck to his beliefs when the Nazis took over in 1938.

Are his political interests such that he will stay in politics as a career? Dr Vranitzky leaves the question without conclusive answers. He certainly would not rule out a return to the business world.

W. L. Luetkens

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Austria 3

Shadows over an idyllic scene

Economy

W. L. LUETKENS

Recovery is here,
Our economists say.
Just look at them all,
As they quickly touch wood.

THE CABARET singer in a fashionable Vienna cellar theatre has pretty well got it right. The Austrian economy has taken a marked turn for the better: growth is accelerating, the inflation rate is coming down, budget deficits have been stabilised, and so has unemployment.

An almost idyllic scene and another success for one of western Europe's most successful economies. But there are shadows, principally a deteriorating external current account and, above all, uncertainty whether recovery will prove to have been more than a flash in the pan.

Almost independently of who was or is in power, Austrian economic policy has for long been a peculiarly Austrian characteristic. Like the Germans and Swiss, Austria has attempted with considerable success to keep inflation at bay by pursuing a hard currency policy. The schilling is kept closely tied to the D-mark.

Deficit

But unlike the Swiss and Germans, Austria has given priority to maintaining employment as full as possible. The average unemployment rate of 4.5 per cent in 1984, though much lower than that in Germany, is considered to be distressingly high in Vienna.

Budget deficits were long considered to be a satisfactory way of keeping up employment, and the theory seems to have worked, supported by a voluntary incomes policy under which the unions have always taken care to keep wage demands within reasonable limits.

But some years ago it became evident that budget deficits had reached an unsustainable level. Efforts to contain and subsequently reduce them have proved to be politically difficult to carry through.

A more immediate warning has come from the current account, which has begun to go into deficit. A surplus of Sch 7.9bn (about $330m) in 1982 was succeeded by a deficit of Sch 1.3bn in 1983. The provisional figure for 1984 is a deficit of Sch 10.8bn, but revisions are expected to bring that down to about Sch 4bn. It is an amount that a creditor of Austria's standing can fill easily.

In the next economic downturn the deficit should, in any case, narrow. But the deficit is a warning signal, especially since it comes when Austrian merchandise exports are doing well.

In 1984, the early phase of the upswing, export demand for Austrian basic goods such as steel and pulp increased steeply. This year demand for components, principally from Germany, may make the running. But capacities in Germany may still be insufficiently employed to bring that about.

On the other side of the ledger, rising real disposable incomes are likely to stoke up consumer demand in Austria this year, with the usual effect of increasing imports of consumer durables. That is a typical pattern, though it may just be modified this year because a forthcoming tightening of rules to control exhaust pollution may discourage motorists from buying new cars.

The worsening of the current account did not have a particularly striking effect on the exchange rate of the schilling. What did cause difficulties was an inflation rate about double that of West Germany in 1984. To counteract this, the National Bank has had to keep interest rates some 2 percentage points above those in Germany.

The current year should be easier. By January the inflation rate was down to 3.4 per cent over a 12-month period.

Forecasters at Wifo, a Vienna economic research institute, predict real growth of 3 per cent this year for the Austrian economy at large, improving on last year's 2½ per cent. They also believe that since an awful result in 1983, investment intentions in industry have begun to come out of the cellar.

This year, they believe, will be better than last, but even so the investment quota will remain below the long-term trend.

Good though the unemployment figures are, they may not be quite as good as they look. Dr Helmut Kramer, head of the Wifo Institute, argues that during the current period of economic expansion it has proved possible to stabilise but not to reduce the unemployment rate. So the danger exists that in the next downturn unemployment will climb to levels above those seen in previous recessions.

In the case of the Budget, the pattern is not dissimilar. The net deficit (deficit less redemptions of government debt) as a percentage of gross domestic product, has been brought down by more than 1 percentage point to an estimated 4.4 per cent in 1985. But next year the net deficit would rise from Sch 62bn to Sch 75bn if policies remain unchanged.

Since significant tax increases are ruled out for political reasons, Dr Franz Vranitzky, Minister of Finance, is having all areas of expenditure examined for possible cuts. It is evident that he will have great difficulties finding economies sufficient to prevent another deficit explosion.

Such an explosion, if it were to occur, would tend to build inflationary pressures and cause difficulties for the hard currency policy. That in turn, could aggravate the threat of a rising inflation rate.

If that were to happen even greater demands would be made upon the sense of responsibility of the Austrian trade unions. Their willingness to pursue moderate wage policies is a central part of the concept of "social partnership" between labour and employers — something no longer unchallenged as in its heyday.

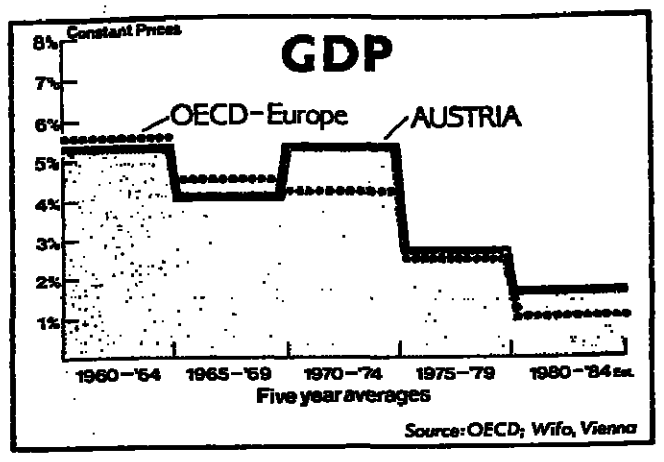
The case against social partnership in purely economic terms is that the *quid pro quo* for wage restraint is a heightened security of employment and hence a labour market rigidity that militates against the modernisation of industrial structures. It is an argument that has frequently been discussed in Austria where the larger, generally state-owned industrial units often are devoted to low value-added products.

Some evidence exists that a process of restructuring is under way. High-tech exports — defined as computers and components, medical equipment and measuring apparatus — have begun to keep pace with similar imports. Exports of car components cover imports of cars by some 80 per cent. That may not be exactly high-tech but imported cars have been one of the heaviest burdens on the Austrian trade balance.

At least one facility for making chips has been started up and more are on the way.

It is not possible to say whether these are straws in the wind indicating that restructuring has begun and will be continued. Dr Kramer at Wifo recalls that an earlier debate about structural inadequacies was conducted in Austria in the mid-1960s.

"None of us foresaw the great upswing of 1968-74," he says.



Performance and prospects

	1982	1983	1984*	1985*
	Change in per cent			
Gross investment	−6.8	−1.9	3.0	3.5
Consumer prices	5.4	3.3	5.7	4.0
	Schillings Bn			
Merchandise balance	−62.6	−68.5	−76.0	−79.9
Current balance	−12.2	−1.3	−4.5	−4.6
	Per cent			
Unemployment ratio	3.7	4.5	4.6	4.6
Gross domestic product	1.0	2.1	2.5	3.0

* Forecasts

Source: Wifo, National Bank

Key budget figures

	Total expenditure Sch bn	Net deficit†	Net deficit as percentage of GDP
1979	288	33	3.54
1981	339	28	2.60
1983	408	66	5.4
1984*	437	62	4.80
1985*	463	60	4.37

* Estimates. † Deficit less debt redemption.

Source: Ministry of Finance, Vienna

Doubling-up for flexibility

Telecoms

PATRICK BLUM

THE FIRST stage in the Austrian postal and telegraph administration's (PTT) ambitious telecommunications modernisation programme will be completed in the next few months when the first two fully electronic digital telephone exchanges are handed over to the state utility.

The two exchanges are now being installed in Vienna to provide 10,000 lines each. Subscribers wil be connected by next January. The full programme will cost several billion schillings and last for 20-25 years by which time the whole of the telephone network in Austria should be entirely digital.

The programme also includes initial development of an Integrated Services Digital Network (ISDN) to allow the transmission of data, text and pictures as well as voice under the same subscriber number. The first field trials for the ISDN are scheduled for 1988 with procurement expected to start within about two years after that.

The work is being done by two competing groups of companies brought together in unusual co-operation by the PTT. The first group working from licences from Siemens Munich unites Siemens Austria and ITT Austria in what is a unique co-operation between the two companies on a project of this scale.

The second group made up of Kapsch and Schrack, two small Austrian companies, is developing a system made under licence from Northern Telecom of Canada. These two companies have now formed a joint company, Austrian Telecommunications GmbH, to pool their development efforts and market jointly developed systems.

The idea of having two systems is to give the PTT more long-term flexibility. Both groups work from the same specifications set out by the PTT. Contracts are awarded individually to each group for specific equipment and, in theory at least, on a competitive basis.

The Austrian authorities want to maintain competition between the companies to avoid reliance on any one system in the future. But this also gives the four businesses, which have to carry the initial burden of development costs, some measure of security.

The Austrian approach is unique in several ways. Rather than seek to develop a purely indigenous system or simply buy ready-made telephone exchanges, the Austrian PTT has sought a middle way, involving domestic development and production in co-operation with foreign businesses. All the work will be carried out by the four groups in Austria with the help of licences and technology from abroad. Adaptation of the technology to meet Austrian requirements is undertaken by the Austrian-based companies.

To ensure maximum results the PTT set up a special telecommunications development company (OFEC) to co-ordinate and supervise the project. The PTT owns just under 51 per cent of the company and the rest is equally divided between the four companies.

OFEC is useful in other ways too. Dr Guido Klestil, deputy chairman of ITT Austria soon to take over as chairman, says that it is "a great advantage for the PTT because they can find out a lot about what goes on through OPEC."

The financial advantage for the PTT is that under the OFEC agreement the companies, and not the PTT, share all development costs. Dr Ubleis concedes that these initial costs will be incorporated in final prices, but the PTT is spared the risks involved in research and development.

These have cost each group of companies about Sch 350m since 1982 and will rise a good deal more before the end of the project. The companies received the first rewards for their efforts about a month ago when the contracts for the two Vienna exchanges worth Sch 150-180m each were awarded one to each group.

Other contracts are pending. They include two for another two exchanges in Vienna planned for delivery in 1986 and another two for an exchange in Graz and one in Linz to be installed in 1987. These are expected to be similar to the first two and contracts will almost certainly be made with the two groups of companies sharing out the work equally.

The groups also hope that the technology developed specifically for the project, especially the software, will open up export markets. For the two small Austrian companies the collaboration with Northern Telecom provides them with unique opportunities. "We are very satisfied with our agreement with Northern Telecom. We are able to draw on their extensive experience in this field, especially in the software area," Herr Swen Stengl, Schrack vice-president says.

PROFILE: I.D.C.

Guide through grants maze

A MULTITUDE of investment incentives are available in Austria, where state intervention in the economy is common place. The potential foreign investor is likely to find the Industrial Co-operation and Development agency (ICD) a useful guide through the maze of grants and other assistance available.

Established about three years ago as a regional body to promote job creation in unemployment back spots, ICD has become the foremost agency to encourage foreign investment in Austria. It has had some successes, but these are modest so far since the agency was only given greater *scope and resources for its* work in the past year. The agency is funded by the Austrian Government and its services are free.

Herr Robert Karl, ICD director explains: "The current resources available to ICD have existed only for about a year. Previously the whole work was done by three people in a small office."

Access

The company now employs some 17 people in its smart *Vienna office near the opera* house. It also has representatives in the U.S. and Japan, the two main target areas in *the search for investors.* The UK and Scandinavia also figure prominently among target countries.

ICD's efforts are concentrated on attracting firms in electronics, machinery and the manufacture of car components.

Its budget and resources remain small by comparison with similar agencies in other countries. The Irish development agency, for example, employs 70 people in the U.S. alone compared with ICD's four, Herr Karl says. In 1984 its agency budget was a modest Sch 41m ($1.7m).

ICD's rule is to show that there is more to Austria than skiing, beautiful mountains and operatic delights. It is an image problem; Austria has a lot to offer investors but this is generally unknown, Herr Karl says.

"We try to make sure that companies which want to come to Europe at least consider Austria before making any decision."

Foreign companies usually look for a country with a big domestic market, easy access to the rest of the European Community, and in many cases where English is widely spoken. Often Austria is not even considered, Herr Karl says.

Yet Austria enjoys duty-free entry to the EEC, he says. There is an efficient and skilled workforce, and labour relations are trouble-free.

Incentives

Wages are about a third lower than in West Germany, and, unlike other countries where, *for example, there is* a shortage of electronic engineers, "we still produce more electronic engineers *than we can use.*"

Austria can offer considerable tax incentives and subsidies for investors. Cash *grants of up to 40 per cent* are available for investment in machinery and equipment. Subsidised loans for up to *50 per cent of the value of* industrial investments are also available. So are research and development grants, employment grants for new jobs created and subsidies covering up to 100 per cent of training costs.

For all these reasons, Austria is an attractive proposition, Herr Karl says.

In the past couple of years ICD has secured investment commitments worth about Sch 500m ($21m). One of the most important was Sch 230m by Telequartz, a West Germany company, which will set up a factory in Ternitz, Lower Austria, to produce quartz crystals primarily for radio equipment. Some 95 per cent of the production will be exported.

Another investment was for Sch 130m by Cincinnati Milacron, of the U.S., for a plant in Vienna to manufacture industrial robots. There are *also several smaller* investments worth Sch 20m to 30m each in electronics, the manufacture of alloys, of machinery and special paper.

These are only a beginning, Herr Karl *says.* "We don't think that we will achieve success overnight. There's an incubation period in getting companies to come here. It takes some time, but we're sure that, as Austria's *advantages become better* known, more companies will chose us."

ICD can be contacted at: Operaring 3, A-1010 Vienna, Austria. Tel: 56 36 18 Telex: (61) 32 22 227 ICD A.

Patrick Blum

Interest rate limits put on the brakes

CREDIT institutions *in Austria* are struggling with the effects of an exuberant wave of deregulation in the late 1970s which greatly diminished their *profitability* and capital adequacy ratios.

Deregulation in a generally expansionary *climate* made them grow fast and turned the bigger among them into players on the international *scene of greater weight* than their domestic market would make one expect. It also caused the scramble for market share and volume increases to take precedence over profitability.

By the established standards, however, 1984 proved a more than fair banking year, and although 1985 should be as good or better, the authorities and the industry itself decided to put on the brakes. They have chosen the *traditional* Austrian way out by forming what, in all but name, is a cartel.

By *an agreement within* the industry maximum and minimum rates of interest have been set on the liabilities and assets side respectively. They are geared to the rate prevailing in lending to the Government — a rate which is market-related.

Further steps are planned. Legislation is expected this year to tighten the rules governing capital adequacy. And the foundation of new branches — which has already been slowed down by the dictates of cost accounting—is to be further controlled by tacit or overt understandings.

Dr Gerhard Wagner, chairman of Oesterreichische Laenderbank, *the third largest bank* in the country, sees the agreement as a last chance for the banks to return by their own *efforts to classic principles of* adequate profitability and adequate capital ratios. Without it the authorities might have *intervened.*

The fact of the matter is that, though they may not have intervened in a formal sense, both Dr Stefan Koren, President of the Austrian National Bank, and Dr Franz Vranitzky, Minister of Finance, pleaded strongly for the interest cartel and have agreed to reform rules governing capital ratios.

This reform is likely to tighten rules governing the admissibility of subordinate capital such as redeemable surrogate equity in calculating capital adequacy. The decline of capital adequacy in the Austrian system can be clearly traced in rows of figures provided by a study made by Professor Jack Revell of the Institute of European Finance at Bangor for the Organisation for Economic Co-operation and Development (OECD).

He found that among the Austrian joint stock banks share capital and reserves declined *from 2.64* per cent of total assets to 2.21 per cent in 1982. Among the savings banks (with aggregate assets of *Sch 700bn or about* $29bn against Sch 1,000bn for the joint stock banks) the ratio declined from 3.99 per cent in *1979 to 3.57 per cent in 1981.* The process has continued.

International comparisons of capital adequacy are always *difficult to make because both* circumstances and definitions differ. But it is worth noting that the ratios for the West German *joint stock* banks, *with* a largely similar system, are roughly twice as good.

On the other side of the argument it may be said that because Austria has a mixed economy with a great deal of state intervention, no less than 41 per cent of the banks' credit *volume is* covered by Austrian state guarantees of one kind or another and hence constitutes an area of reduced risk.

Since 1977, when Austrian banks were relieved of the need to demonstrate the need for new branches to the finance ministry before being allowed to open them, the number of bank outlets in the country has soared. In 1977 there was one outlet for every 1988 inhabitants; now there is one for every 1438, approaching the degree of saturation reached in Switzerland and Germany.

Dr Guido Schmidt-Chiari, a member of the board of Creditanstalt-Bankverein (CA), the biggest Austrian bank, says flatly that the country is overbanked. Profitability, he adds, is completely unsatisfactory.

The reasons for the neglect of profitability in favour of volume are to be found in Austrian history. In the 1950s and 1960s the steady expansion of the economy brought about almost automatic increases of the banks' business volume.

At the same time regulation and the traditional reserved areas of each sector of the industry caused interest margins to remain steadily around three percentage points. Profits therefore moved in step with volume. That system broke down in the 1970s.

Gerhard Wagner: new chairman of Oesterreichische Laenderbank.

Banking and Finance

W. L. LUETKENS

Reform

Potential growth of the economy declined. Interest cartels became ineffective or were abolished. Joint stock banks no longer concentrated *chiefly on industrial borrowers* and affluent depositors but competed for the custom of small business and of con*sumers. Local savings banks* increasingly competed for commercial credit instead of lending chiefly to municipali*ties and on mortgage.* The Raiffeisen rural credit unions moved into the towns.

Finally the Bank Act of 1979 *and a subsequent reform of* the Savings Bank Act legalised the free-for-all. All credit institutions of any size were authorised to compete for every kind of banking business.

In addition to these strains *high interest* rates and the lessened growth of real personal and corporate incomes caused bank customers to *become* more interest sensitive. A complete change of mentality became required to break away from the traditional primacy given to volume and market share. It is said that in some cases customers could make a turn by discounting bills and placing the proceeds on term deposit with one and the same bank.

A further complication arose *when* after years of discussion the Government introduced a flat rate tax of 7.5 per cent on bank interest and the yield of fixed interest securities. The purpose was to tax the proceeds of money deposited, perfectly legally, in anonymous accounts and never declared for tax.

The success of the measure is doubtful: the rate of 7.5 per cent (let alone of the 5 per cent in force from this year) was not enough to flush out these monies. But the side effects have been considerable.

Corporate treasurers have bypassed the tax by developing the so-called industrial clearing *system* by which they lend surplus liquidity to each other, bypassing the banks. The estimated volume of Sch 15bn-Sch 25bn is quite large by the standards of a small country and has cost the banks income.

Another side effect of the interest tax has been to promote foreign rather than Austrian bonds. This was a main reason why the volume of new fixed interest issues declined from Sch 70bn in 1983 to Sch 34bn last year.

Scramble

These various pressures explain both the interest cartel arrangements and the increased tendency of the bigger Austrian credit institutions to expand both their foreign and their non-interest business. Laenderbank intends to open a branch in London at the end of March. CA and Girozentrale are already established there.

The scramble for foreign business did at one time lead to an uncomfortably quick increase of the exposure to eastern Europe of Austrian credit institutions. That growth has slowed down greatly. By mid-1984 total exposure had climbed to Sch 140bn. Poland, once a source of especial concern, had actually reduced its debt to Sch 22bn. By contrast claims on Latin America only amounted to Sch 18bn in mid-1984.

Girozentrale (GZ), the second-largest Austrian joint stock bank which belongs to the savings banks, has been especially active in seeking non-bank financial business. It has active affiliates in the leasing and consultancy fields and has built a luxury hotel to open in Vienna this summer. Equity participation in this venture is being offered to the public. GZ also co-managed 76 Euromarket *issues in 1954* — more than any other Austrian bank.

Such activities can offer some compensation for the *relatively* moderate credit demand of last year which should increase modestly this year under the influence of *rising* investment intentions in industry. But the consensus in Vienna is that a lasting return to profitability in the core business of banking is essential.

Clashes lead to policy retreat

Energy

PATRICK BLUM

Demonstrators camping near Hainburg in December forced the hydro-electric project to be shelved

CAN ANY Austrian government implement a coherent energy policy? The answer would appear to be no. Faced with a powerful environmentalist opposition which cuts across all parties, the coalition Government has found most endeavours to develop a global energy policy blocked or delayed.

The future of several big projects is uncertain, including the hydro-electric power plant and dam at Hainburg, an almost-complete coal-fired plant at Durnrohr, a planned pump-storage plant at Dorfetal and the completed but as yet unused nuclear plant at Zwentendorf.

The Government's long-awaited new energy policy published last November, designed to provide the framework for future energy developments, has become a dead letter within months.

Clashes between the police and protesters at Hainburg caused a government crisis, forcing an embarrassing retreat. The project has been indefinitely postponed.

Environmental objections have caused delays in completing the construction of the Durnrohr plant near Zwentendorf, originally to be put in operation this year, but now held up to meet demands for stringent pollution controls. It will not be commissioned until at least 1986.

Work on the Dorfetal plant in the Tirol cannot begin until the builders can satisfy environmentalists that natural waterfalls will not be destroyed.

Finally, hopes that the Zwentendorf plant mothballed since 1978, will be put to use appear increasingly remote although a majority in parliament and in the country may favour using it. For constitutional reasons, it has not been possible for the Government to reopen the issue.

Imports

The *long-term implications* are serious enough but in spite of warnings from the International Energy Agency and the OECD, Austria looks set to increase further its dependence on Eastern Europe, primarily the Soviet Union, to satisfy energy needs.

Dr Siegfried Rief, of the Federal Business Chamber, says: "*It seems impossible to build power plants, and frankly I don't know what we shall do in a few years.*"

Last year imports rose, production declined and consumption of most forms of energy increased. Energy imports for the first 19 months of 1984 increased by 17 per cent to 564.7 peta joules, almost as much as imports for the whole of 1983.

Austria's energy import bill for the whole of last year went up by 23.2 per cent to Sch 59.2bn ($2.6bn), making a considerable contribution to the current account deficit. In the first 10 months of 1984, coal imports were up 21.9 per cent, natural gas 68.1 per cent, oil and oil products 6.6 per cent and electricity 25.9 per cent.

The steep rise in electricity imports was accompanied by a fall of 15.2 per cent in exports. This still left Austria a net exporter of electricity but the difference between imports and exports is narrowing. Austria has to import to make up for low capacity from hydro-electric power in the winter, but generally surpluses available in the summer more than make up for that.

Energy consumption and imports

(Peta Joules)	1979	1980	1983*	First 10 months 1984
Total consumption	1,003.7	1,000.6	924.3	726.8
Imports	714.3	718.8	580.9	564.7
Import ratio (%)	71.2	71.8	62.8	77.7

* Fall in imports and import ratio due in large part to considerable use of stocks

Source: Wifo, National Bank

Energy imports 1984

	Sch bn	% change with 1983
Czechoslovakia	3.2	+ 2.4
East Germany	0.5	−33.8
Poland	3.3	+46.9
Hungary	3.3	+65.1
Soviet Union	16.3	+31.7
TOTAL Eastern Europe	27.4	+28.7
Opec	17.8	+42.6
Others	14	− 1.9
TOTAL (All)	59.2	+23.2

In the first 10 months of 1984 energy imports from Eastern Europe accounted for 42.3 per cent of total energy needs (compared with 32.6 per cent for the whole of the previous year). Of this, coal imports accounted for 62.6 per cent of imports of oil and oil products for 27.5 per cent, natural gas for 85.6 per cent and electricity for 6.7 per cent.

In all these except oil, which remained stable, the share of East European imports was higher than for the whole of the previous year.

Dr Jan Stankovsky, of the WIFO Institute for Economic Research in Vienna, says the increase is misleading because it can be attributed partly to additional purchases for replenishing stock. Coal imports from Poland rose to build advance stocks for the Durnrohr power plant. Austria also took advantage of a Soviet offer of natural gas at a cheap rate to build its gas reserves.

But he concedes that Austria is tending to increase its dependence on East European supplies. This is mostly due to a change in the structure of energy consumption towards greater use of gas.

"This is sensible. Gas is cheaper environmentally cleaner and less objectionable," Dr Stankovsky says.

The problem is that the Soviet Union is the only country from which gas imports are viable. Importing gas from the Netherlands is too expensive, he says.

Austria's response to IEA or OECD suggestions to diversify sources of energy and develop additional domestic resources has been lukewarm. "Maybe efforts have not been very strong in this respect, but we don't really have any alternatives," Dr Stankovsky says.

One alternative would be to develop nuclear power, but this faces strong opposition. Austria's single nuclear power plant, at Zwentendorf, was completed in 1978 but has never been used because a national referendum decided against commissioning it. The plant has cost about Sch 10bn ($435m) to build, fuel and then preserve.

The Government is split over the issue. The Socialists would like to give it the go-ahead but their minority Freedom Party coalition partners have always been opposed. In theory, a decision whether to use the plant or scrap it is supposed to be taken by March 31, but most people are pessimistic.

"It would take a miracle to save Zwentendorf," Dr Stankovzky says.

That view is shared by the federal business chamber: "There will be no decision by March 31 and probably they will say that it should remain under conservation," Dr Rief says.

Uncertainty

Similar uncertainty surrounds the Hainburg plant. The Government has said that the plant, which was to provide up to 7 per cent of Austria's electricity, was necessary to meet energy needs. After the row over the plant's construction, the Government commissioned a study of alternatives. These could include a different site, a different type of plant, or even two smaller plants.

"The problem is that there are not many different places where you can build this plant," Dr Rief says.

Others suggest that the study is a face-saving exercise and that no decision will be taken before the general election due in 1987.

So Austria will have to rely increasingly on its neighbours to meet energy needs. This is not without dangers. The exceptionally cold winter has made Austria's dependence more apparent, with supplies from Eastern Europe and the Soviet Union disrupted.

The Soviet Union stopped oil deliveries to most European countries, including Austria. In January gas deliveries were *temporarily halted* because of technical problems with the pipeline caused by the cold. Electricity supplies from Eastern Europe have been disrupted as East European countries struggle with their own energy crisis.

"Poland, Czechoslovakia and the Soviet Union could not supply use because of their own problems," Dr Rief says.

While Austria has avoided electricity shortages, this has been achieved only by increasing imports from Switzerland and West Germany, where the full production of a power plant in Bavaria was made available to Austria. Ironically, both Switzerland and West Germany were able to provide Austria with additional supplies from their oyn nuclear reactors.

"In the meantime, we have a monument here (Zwentendorf) that does not produce anything," Dr Rief says.

Prices are also affected. Austrian electricity prices are among the highest in Western Europe, which is bad for industry as well as the private consumer, Dr Rief says.

"In the end, you have to pay *for power plants that you do not use*," he says. That is a dilemma which Austrians will have to face for a considerable time.

PROFILE: METALLWERK PLANSEE

Fitting snugly in a metal niche

SIZE can be crucial to a company's success. Metallwerk Plansee, a world leader in powder metallurgy, made a virtue of necessity recognising that its size was an asset.

"*We have a niche in the* market for refractory metals. This field is too expensive for small companies but too narrow for big companies," Dr Rudolf Machenschalk, Plansee's chief executive, says.

But size alone, or even careful marketing, cannot wholly account for the company's success. This rests primarily on its efforts to research and *develop new* metals for some of the most advanced industries.

Powder metallurgy involves compressing metal powders into shapes subjected to intense heat, producing objects from metals of great strength and durability such as tungsten, molybdenum and tantalum. These are used in electronics, *the car industry*, high temperature furnaces and nuclear reactors.

These demand extensive research and development, which at Plansee accounts for 6 to 7 per cent of annual sales value—more than twice the Austrian average.

Plansee, based at Reutte in the heart of a Tyrolean valley near Innsbruck, *is one of* Austria's most successful private companies. Founded by Prof Paul Schwarzkopf in 1921, it is still owned by members of the Schwarzkopf family.

But the company's achievements belie its image as a family business in a picturesque setting. Customers *include* Nasa, the U.S. space agency, and the European Space Agency.

Plansee employs about 2,500 people, 1,850 of whom are in the two main Reutte plants. It also has three plants in West Germany and another at Lienz, upper Austria, jointly owned with Voest-Alpine, the state steel and engineering group.

The link with Voest was intended to avoid possible competition from that quarter. "We don't like to go to bed with state-owned companies," Dr Machenschalk says.

The Plansee group's turnover for 1984-85 was about Sch 2.5bn ($112m). Reutte accounted for Sch 1.9bn, up 14 per cent on the Sch 1.6bn of the previous year. Profits and allocations for provisions and depreciation were about 15 per cent of turnover.

More than 90 per cent of production is exported, mainly to West Germany, the U.S. and Japan. The last two have grown by more than a third in three years. Some 11 per cent of sales go to eastern Europe and the Soviet Union, but the company dismisses complaints made in the U.S. press that it has sold technology to the eastern bloc.

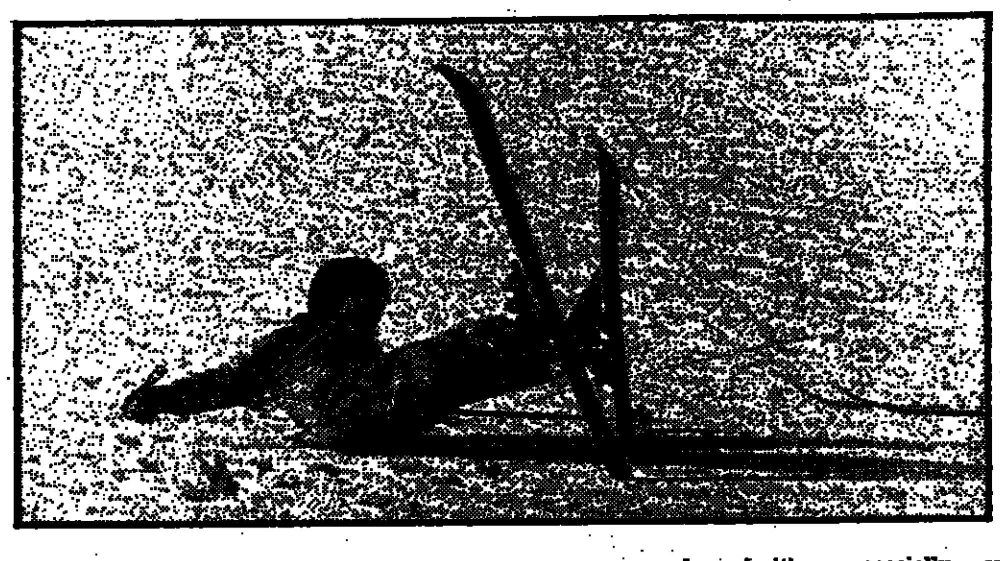
The company sees its future in three areas. The first is improving and developing new processes in its technology for coating metals to give them extra strength—a field in which it claims European supremacy. The others are further research into substitutes for existing strategic materials and in developing specialised divisions to offer a tailor-made service for customer problems.

Patrick Blum

Concern over seasonal slides

Tourism

W. L. LUETKENS



WITHOUT its tourist industry, Austria would be broke. The National Bank estimates that revenue from foreign tourists came to about Sch 90bn ($3.85bn) last year against revenue of Sch 459bn from merchandise exports.

But whereas the balance of merchandise trade produced a deficit of Sch 78bn, tourist traffic—after deducting expenditures by Austrians abroad—produced a surplus of more than Sch 40bn.

In no other industrialised country does the importance of tourist spending rival that in Austria. It is the equivalent of about 8 per cent of gross domestic product. That share has been decreasing, but only very gradually, perhaps by 1 percentage point in a decade.

Far more is at stake than the well-being of 22,000 businesses directly involved in the tourist trade. Herr Egon Smeral, of the Wifo economic research institute in Vienna, says only about half tourist spending is on hotel and restaurant bills.

Between a quarter and a fifth goes on purchases that tourists take home. That represents about Sch 20bn a year paid for clothes, sports equipment, souvenirs and the like that only very partially figures in official trade statistics.

More important, in many rural areas the tourist boom of the past two to three decades has proved a classic economic pump-primer. As hotels were built or modernised, *pensions* started and farm houses expanded to provide accommodation, local tradesmen filled their order books with construction work. Shopkeepers also expanded sales and facilities, in spite of the seasonal pattern of tourist trade.

Since agriculture was being rationalised, requiring fewer workers, many Alpine valleys were saved from depopulation by the bonanza.

A price has had to be paid, however. Many wooded hillsides are scarred to make room for ski-lifts and *pistes*, while new buildings in villages often sit ill with picturesque traditional architecture.

But those who go to Austria can escape the turbulence of modern mass tourism. A short distance from the village centres, main roads and ski lifts, time seems to have stood still.

Secondary benefits from the tourist industry extend well beyond the export sales. The country's position as a centre of winter sports has helped it gain a share of about 40 per cent of the world ski market.

The tourist bonanza

	Winter half 1983/84 (m)	Summer half 1984 (m)
Total overnight stays	44.4	69.5
Foreign visitors	33.0	53.0
Including:		
West Germany	21.8	35.2
Netherlands	4.2	5.0
Britain	1.5	2.8
U.S.	0.5	1.6
Foreign exchange income	Sch 42.6bn	Sch 55.0bn

Source: Wifo, National Bank

This industry, firmly based upon the innovative type of small entrepreneur common in Austria, has an export share of about 85 per cent.

When the Austrian ski team performed poorly in the last winter Olympics and the Austrian press and radio were full of laments, a representative of the chamber of commerce blithely asked what the breast-beating was all about. After all, the American winner of the downhill had used Austrian skis.

Skis are not the whole of the story. A Sch 4.5bn industry turns out winter sports equipment of all kinds. The Augarten porcelain manufacturer at Vienna does 20 per cent of its business with foreign tourists. And would Austrian *loden* and other fashions do as well abroad if foreign visitors had not come to known them in their natural environment?

Given the importance of foreign tourists to the Austrian economy it is not surprising that there is some concern about signs that the industry may have peaked, with a gentle decline of tourist spending as a portion of GDP.

Nonetheless, Herr Smeral expects real income from tourists to continue to rise during the rest of the century. Austria will, however, lose market share as tourist countries outside Europe come to the fore.

He attributes this loss largely to the fact that the overwhelming majority of Austria's visitors come from West Germany and other countries of north-western Europe. These are regions with mature industries and relatively modest economic growth.

Seasonal patterns make it difficult for the tourist trade to achieve a proper return. Traditionally, visitors come in winter to ski and in summer to swim, sail and go on mountain tours. In spring and summer there is nothing much happening.

The occupancy rate of tourist accommodation is correspondingly low. In 1984 it was 27 per cent, though that is distorted by the 17 per cent occupancy rate in private bed-and-breakfast, often run for pin money.

The rate in four and five-star hotels was as high as 40 per cent, and in the cities, especially Vienna, it was even higher.

The impact of seasonal irregularities, especially on smaller accommodation, is generally cushioned by the social security system. The cook or maid laid off at the end of the season falls back upon unemployment benefit.

One could look upon that as a form of indirect subsidy. Another viewpoint is that by giving these people work during at least part of the year, seasonal employers are relieving demands on the unemployment fund.

Herr Smeral believes that the industry will have to go further upmarket to increase its market share and overcome limits imposed by the smallness of the country. One winter resort has already put up lift charges in an attempt to discourage less affluent customers.

The summer resorts, Herr Smeral believes, will increasingly have to provide distractions such as shows, courses, and whatever that looks promising.

Vienna has its state-owned theatres and its opera, which are chronically unable to satisfy demand for tickets. Why not dispatch actors who are resting (but paid, provided they belong to the state companies) to pep up theatrical life in the provinces?

These considerations apply mainly to the summer and the dead seasons in summer and spring. Where Alpine skiing is concerned, Austria need not fear competitors. Conditions in the eastern Alps permit skiing at much lower levels than in the west so the visitors never need lose contact with the local inhabitants.

That fits well with the friendly image that the tourist industry is trying to promote. The basis exists in the form of a people accustomed to value courtesy, even though Austria, like other countries, also has its rough diamonds.

PROFILE: LENZ MOSER

Winter dries up wine lake

THE GOOD and bad news for Austria wine growers this year is that the harsh winter has destroyed a significant number of vineyards. Yields this year will be poor—but world stocks will therefore find buyers. According to Herr Laurenz Moser who heads one of Austria's longest established wine-making and trading houses, 40-50 per cent of the crop for 1985 has been damaged by excessive frost.

"The damage could be even worse. Within six months the Austrian wine lake has dried out," Herr Moser says.

Last year's harvest of 250m litres was relatively low but exceptionally high harvests in the previous two years of 490m and 370m litres had caused a surplus of stock and brought down profits.

Exports in 1984 were 50m litres, and domestic consumption at about 36 litres per head was roughly 260m litres. In 1985, production is expected to fall well below domestic consumption.

Austrian wines have remained relatively unknown in other countries. The red tends to be soft. The whites have a character of their own, drier than the run of the mill German products. Even at their best they make for easy drinking rather than the dedicated wine lover's ecstasy.

The wine business, Herr Moser says, is "the craziest business in the world." Herr Moser should know; he comes from a family of growers which included the inventor of the high culture system, where vines are pruned to grow high above the ground, almost like miniature trees.

Herr Moser's father made his first experiments in developing the high culture system in 1928. The system brought jeers from traditionalists, but today it is used by almost all Austrian growers.

It is cheaper and more efficient; 2,500 vines on one hectare can produce as much as 10,000 plants on the same area in the conventional way. In traditional vineyards five to six people are needed to work on one hectare. Now one man can cope with six hectares and the system allows easier use of picking machines, which are in increasing use.

The Moser family has been in the wine business since 1849, when Herr Anton Moser bought a cellar and vineyards from the Melk Abbey a small distance away along the Danube from the Moser estate in Rohrendorf, near Krems.

These were small beginnings for Lenz Moser, the family's company name. By 1953, when it established its sales network for the produce of Lower Austria, the company employed only some 40 people in its cellars and vineyards. In 1959 Moser wines were first exported to West Germany and Britain. The family has continued to acquire vineyards and expanded its wine merchant business.

Since 1969 Lenz Moser has managed the vineyards owned by the Order of the Knights of Malta at Mailberg, near the Czechoslovak border. Good climate and above average soil quality produce some of the finest Austrian white wines at Mailberg. These include the popular and light Gruener Veltliner grape and the heavier and sweeter Gewurztraminer, also produced in an area close to Lake Neusiedel near the Hungarian border.

Some red wines, less popular and generally less well regarded among Austrian wines, are also produced at Mailberg, including the Malteser Blauer Burgender made from the pinot noir grape.

Lenz Moser has become the largest Austrian wine merchant and producer. Last year it produced 1.2m litres of wine from its vineyards and sold 15m litres, some 40 per cent of which were exported. Its main export markets are West Germany, Canada, Switzerland, Britain, Japan and the U.S.

Herr Moser says that Austria has not been sufficiently forceful in marketing its wines, so they remain relatively unknown compared with German wines. He says that with careful marketing some Austrian wines, especially the whites, could become as popular in many parts of the world as some of the German, French or Italian wines.

Patrick Blum

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